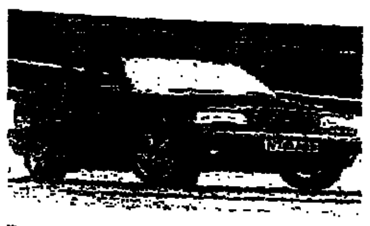
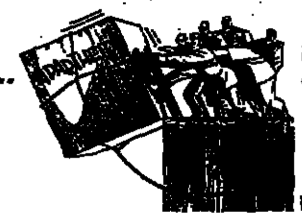
FINANCIAL TIMES



Swedish perks
Company cars under threat
Page 2



South Africa
Currency markets rule
Page 15

Australian airports
Poised for privatisation
Page 6

Today's surveys
Arizona
Automotive components
Separate sections

World Business Newspaper
TUESDAY MAY 21 1996

Sinn Féin fuels hopes of resumed ceasefire by IRA

Expectations of a new ceasefire by the Irish Republican Army were raised last night after Gerry Adams (left), president of the IRA's political wing Sinn Féin, said he would accept the six principles of non-violence to be put to all parties at the start of talks next month. His comments came amid increasing optimism in London and Dublin that the IRA might abandon its three-month campaign of violence to enable Sinn Féin to take part in negotiations. Page 9

OECD cuts growth forecasts: The Organisation for Economic Co-operation and Development cut its forecasts of economic growth in the industrialised world this year and next because of the sharp slowdown in the German and French economies. Page 4

Cool response to EU expansion plan: Former communist countries in Europe have given a cool response to a German suggestion offering them partial membership of the European Union. They fear it could be a substitute for full membership of the EU and Nato. Page 16

Total ban on UK beef still in place: Efforts by European Union vets to agree a partial lifting of the export ban on British beef hung in the balance yesterday in the face of firmer than expected resistance from a number of member states to easing the embargo on some products. Page 16

BA heads airline profits table: British Airways announced annual pre-tax profits of £585m ($890m), the highest of any airline in the world, but its pilots responded with plans to hold a strike ballot over a two-year pay offer. Page 17; Lex, Page 16

US to renew China's MFN status: US president Bill Clinton announced he would renew China's Most Favoured Nation trade status on the grounds that failure to do so would threaten the stability of the Asia-Pacific region and US economic interests. Page 16; Editorial Comment, Page 15

Norway strike hits big companies: A strike by 37,000 Norwegian mechanical engineering workers entered its second week with little sign of an end to a dispute which has crippled output at several top companies and is set to hit manufacturers in neighbouring Sweden. Page 2

Kohl in firm stand on strikes: German transport and postal services were hit by a further outbreak of strikes as public sector workers protested over government plans to freeze wages and cut spending. Chancellor Helmut Kohl said he would stand firm against the unions. Page 3

Rolls-Royce deal with China: Rolls-Royce and Aviation Industries of China plan to form a joint aero-engine company to manufacture components for Rolls-Royce jet engines. Investment in the new company would total $30m. Page 8

Sumitomo Chemical, Japan's largest producer of fine chemicals and agrochemicals, said it substantially increased annual profits in a stagnant market as a result of cost-cutting. Consolidated recurring profits rose 66 per cent to Y29.6bn ($278.16m) in the year to March. Page 17

Bosnian hardliners in tough stand: Hardliners consolidated their hold on the Bosnian Serb leadership after brushing aside demands from the international community to depose their president Radovan Karadzic who is wanted on war crimes charges. Page 2

International Business Machines aims to become one of the first and largest producers of "network computers", a new type of low-cost device that can be used to surf the Internet or link to corporate networks. Page 17

Japan appeals to US over computer sale: Japanese government officials expressed concern at possible moves in the US to block the first Japanese contract to supply a supercomputer to a US government-affiliated organisation. Japan urged the US to exercise fairness and transparency in its government procurement practices. Page 8

British film wins top Cannes prize: The main prize at the Cannes film festival, the *Palme d'Or*, was awarded to the British tragi-comedy *Secrets and Lies*, directed by Mike Leigh and starring Briton's Brenda Blethyn who won the best actress prize. The best actor prize was shared by Daniel Auteuil of France and Pascal Duquenne of Belgium for their roles in *The Eighth Day*.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,705.23	(+17.73)
NASDAQ Composite	1,246.71	(+4.83)
Europe and Far East		
CAC40	2,120.59	(-16.32)
DAX	2,550.00	(+12.67)
FT-SE 100	3,778.2	(-11.4)
Nikkei	21,979.0	(+62.4)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.131%
Long Bond	89$\frac{11}{32}$
Yield	6.807%

OTHER RATES

UK: 3-mo Interbank	6$\frac{1}{32}$%	(6$\frac{1}{16}$%)
UK: 10 yr Gilt	96⅝	(same)
France: 10 yr OAT	105.67	(same)
Germany: 10 yr Bund	98.89	(98.84)
Japan: 10 yr JGB	97.7575	(97.8975)

NORTH SEA OIL (Argus)

Brent Dated	$18.51	(18.005)

GOLD

New York: Comex		
(Jun)	$391.3	(393.0)
London:		
close	$391.0	(392.05)

DOLLAR

New York: lunchtime		
£	1.514	
DM	1.534	
FFr	5.1945	
SFr	1.262	
Y	107.05	
London:		
£	1.5122	(1.5157)
DM	1.5347	(1.5162)
FFr	5.1929	(5.1898)
SFr	1.2828	(1.251)
Y	107.115	(106.645)

STERLING

DM	2.3207	(2.3132)
Tokyo close:	Y 107.0	

Albania	LEK220	Germany	DM4.00	Lithuania	Lts15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDH16	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc62	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (mainland)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	L13,000			UAE	Dh12.00

First sales since Gulf war to provide food and medicine for civilians

UN agrees to permit Iraq $2bn in oil exports

By Michael Littlejohns in New York and David Lascelles in London

Oil traders weigh impact of Iraqi sales ....Page 5
Commodities ....Page 26

Iraq and the United Nations yesterday signed an agreement permitting the sale of $2bn worth of Iraqi oil, the first to be exported since sanctions were imposed after the Gulf war six years ago.

The deal has unsettled oil markets, where there is concern that Iraq's return will lead to a longer-term increase in international supply. The money from the sales over six months is intended to pay for food and medicines for the country's civilian population.

The agreement is valid for as long as Mr Boutros Boutros Ghali, the UN secretary-general, is able to certify every 90 days that Baghdad has complied with the terms of the Security Council resolution authorising oil sales under strict UN monitoring.

The news led to a fall in the oil price and in oil company shares yesterday, but the market had been expecting the deal for several days and this helped cushion the effect.

In London, the price of Brent crude for July delivery fell after news of the agreement, but later rose 72 cents to $18.35. The oil price had already dropped from $19 when the deal was first mooted last week.

Yesterday's fall was also limited by a statement from Mr Rilwanu Lukman, the secretary-general of Opec, that the oil cartel "would do something" at its forthcoming ministerial meeting in June to accommodate Iraq's return.

In Washington, Mr Mike McCurry, the White House spokesman, said the deal was an "important victory" for UN efforts to persuade Baghdad to meet Iraqis' humanitarian needs and that it demonstrated the need for the UN to stand firm against any relaxation of its resolutions.

Britain also welcomed the agreement but warned that sanctions will remain in place until Iraq complies with UN resolutions, something which is "hard to imagine" while "Saddam remains in power".

Iraq's chief negotiator Abdul Amir al-Anbari is besieged by reporters as he arrives at the UN *Picture: AP*

Mr Abdul Amir al-Anbari, Iraq's negotiator in talks with the UN that began in February, said oil exports could begin in a month but UN officials believed it might take longer.

At current prices, Iraq will be allowed to sell about 700,000 barrels a day to make up the $2bn. Before its 1990 invasion of Kuwait, Iraq was exporting 2.78m barrels a day, with the US as its biggest customer.

The memorandum includes a distribution plan under which Baghdad undertakes to guarantee equitable distribution of food and medicines to a population "throughout the country". An annex to the document provides special arrangements to meet the needs of a Kurdish minority in three northern provinces that are bitterly hostile to President Saddam Hussein.

UN agencies will "collect and analyse pertinent information" on humanitarian needs for discussion with the government and inclusion in the distribution plan. UN officers will monitor distributions and report any violation to its department of humanitarian affairs.

Food and medicines for the Kurds and the question of setting up an account to receive proceeds from oil sales had been obstacles to the agreement.

Iraqi oil will be exported via the Kirkuk-Yumurtalik pipeline through Turkey and from Iraq's Mina Al-Bakr oil terminal. Transport costs in Turkey will be met by an additional allocation which was foreseen in the Security Council resolution, adopted more than a year ago.

US ruling offers boost to manufacturers

By Jurek Martin in Washington

Supreme Court says damages against makers of defective products may be 'grossly excessive'

The US Supreme Court ruled yesterday that punitive damages awarded against the makers of defective products may be "grossly excessive" and therefore unconstitutional.

In a judgment likely to be welcomed by manufacturers, the court reversed by a 5-4 majority a $2m award to a doctor in Alabama who had sued BMW, the German car company.

He took action against the company after discovering that his new 500 series model had been partly repainted after suffering acid rain corrosion during shipment to the US.

With product liability a controversial issue in the US Congress and state legislatures, the court – the highest in the country – did not issue new guidelines to judges and juries on what might be appropriate damages awards.

Justice John Paul Stevens, writing for the majority in favour of the decision, said: "We are not prepared to draw a bright line marking the limits of constitutionally acceptable punitive damages awards [but] we are fully convinced that the grossly excessive award imposed in this case transcends the constitutional limit."

The ruling stands as a warning to lower courts and juries to keep a sense of perspective in determining punitive damages. It also reinforces the powers of judges to reduce jury awards.

In the Alabama case, Dr Ira Gore won just $4,000 in compensation from BMW but was awarded $4m in punitive damages, subsequently halved by the state supreme court.

BMW had been joined in its appeal by several prominent US industrial lobbies as well as, in friends-of-the-court briefs, by US media organisations concerned that libel damages were now so high as to constitute a threat to freedom of speech.

Congressional interest in product liability was sparked by the Republican Contract with America election manifesto of 1994, which called for wholesale "tort" reform.

But the only legislation actually passed has been rather narrow in scope, covering specific sectors, such as the securities industry.

President Bill Clinton has also used his veto power against some bills, thus inviting Republican criticism that he is in the pocket of the US trial lawyers' lobby, substantial contributors to the Democratic party.

He was overruled by Congress on the securities bill late last year, but his veto of the product liability bill, setting specific damages ceilings, is likely to be sustained.

Justice Ruth Bader Ginsburg, appointed to the court by Mr Clinton, joined Justice Antonin Scalia, its most conservative member, in the minority, both citing infringement on "the states' domain". She added that the ruling came "in the face of reform measures recently adopted or currently under consideration in legislative arenas".

Salt in diet has little effect on blood pressure, says study

By Clive Cookson in London

Salt is safe for healthy people, who are unlikely to suffer high blood pressure from present levels of consumption, according to Canadian researchers.

The study by Professor Andrew Logan and colleagues at the University of Toronto is published today in the Journal of the American Medical Association. It contradicts papers in the current British Medical Journal, which conclude that high blood pressure caused by excessive salt consumption is responsible for a lot of heart disease and strokes.

The Canadian scientists used a technique called meta-analysis to combine the results of 56 clinical trials over the past 20 years, which examined the effect of changing salt intake on blood pressure.

"The key findings of the study are that, based on available trial data, dietary salt intake has little effect on blood pressure in the population at large," said Dr Logan, professor of medicine at the university. "Among those with a high blood pressure problem, the benefits of limiting dietary salt intake are confined largely to older individuals."

Many countries recommend cutting average salt consumption by about a third. But Dr Logan said: "We can no longer accept on blind faith that restricting salt intake is harmless. More research on the long-term benefits and risks ... is necessary before advocating a policy of universal restriction which may benefit only a small segment of the population."

Professor Graham MacGregor of St George's Hospital Medical School in London rejected the Canadian conclusions.

"A moderate reduction in salt intake would have immense benefits for the UK population," he said. Salt and food manufacturers "have conducted a sustained public relations campaign over the last decade to try and obfuscate the evidence that salt is an important cause of high blood pressure and, therefore, strokes and heart attacks".

According to Dr MacGregor, the Canadian research focuses on short-term "intervention studies", while the overall scientific evidence shows the benefits of consuming less salt. "Those who use this evidence in this way misunderstand the difference between decades or a lifetime of high salt intake and a few weeks of modest salt restriction."

Dr Logan insisted, however, that "intervention studies are the only sensible basis for public health policy".

The Toronto study was funded by Campbell Soup, the US food company, through a grant from its Campbell Institute for Research and Technology. Dr Logan said the company had no influence on the research.

Editorial Comment, Page 15

Analysts surprised as Japan's trade gap falls 65.5%

By William Dawkins in Tokyo

Japan's trade surplus fell by nearly two-thirds in April to the lowest monthly level in 13 years, a far sharper decline than expected and evidence of the impact of Japanese companies shifting production abroad.

The trade gap shrank 65.5 per cent to Y320.66bn ($3.05bn) in the year to last month, the 17th consecutive month of decline, according to customs-cleared figures published by the finance ministry yesterday.

Private sector forecasters had predicted an April surplus of between Y480bn and just over Y600bn. Several economists said they would cut forecasts for this year's trade surplus, already expected to show a sharp decline on last year, by between 5 and 10 per cent.

The dollar strengthened slightly in response to the figures, from just below to slightly above Y107, a one-month high. However, the yen's recent weakness is expected to improve Japanese export competitiveness and eventually constrain the fall in the surplus.

The latest figures mean that Japan's import growth has exceeded export growth for nearly three years. But, in spite of the yen's weakness, finance ministry officials predicted that the decline in the surplus would continue – and several independent economists agreed.

"What the Japanese authorities have been telling us in recent months about the changes in the economy have, in fact, been playing out nicely," said Mr Russell Jones, economist at Lehman Brothers in Tokyo.

Mr Ron Bevacqua, economist at Merrill Lynch's Tokyo office, said the fall in the surplus showed Japanese companies had, surprisingly, shifted as much production overseas as promised. According to the latest survey from the ministry of international trade and industry, nearly 10 per cent of output has moved abroad to escape the high yen – and much of that production is sold back to Japan. Other government

Continued on Page 16
Currencies, Page 29

WILL THE D-MARK DIVE LIKE KLINSMANN?

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CONTENTS

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Big companies hit by Norway strike

By Hugh Carnegy in Stockholm

A strike by 37,000 Norwegian mechanical engineering workers entered its second week yesterday with little sign of an end to a dispute which has crippled output at several top companies and is set to hit manufacturers in neighbouring Sweden.

The dispute over wages has caused serious production stoppages at some 500 companies, and yesterday was reported to have affected Norway's North Sea oil output for the first time. Flow from Statoil's Gullfaks B platform has been reduced because of lack of maintenance.

The Labour government, which has legal powers to end the strike and enforce mediation, has no plans to intervene, however. "We are following the situation, but it is primarily up to the parties to find a solution through mediation," said Mr Gunnar Berge, local government and labour minister.

One of the hardest hit companies has been Raufoss, a maker of components for the car industry which said the stoppage had cost it a NKr40m ($6m) contract to supply bumpers to Germany's BMW.

In Sweden, Saab Automobile, half-owned and managed by General Motors of the US, said it would be forced to lay off 3,000 workers if the strike did not end by tomorrow because it depends on Raufoss for steering system components for its 900 and 9000 models.

Other Swedish component suppliers to Saab would also be hit as a consequence since Saab operates, as do other car manufacturers, on a just-in-time delivery system with very low component stocks.

Saab's Swedish rival Volvo said it would be forced to cut production at its plant outside Gothenburg if supplies from Raufoss did not resume next week.

The blue-collar Fellesforbundet union, representing the mechanical engineers, and the TBL engineering employers' federation are deadlocked over the rejection of a one-year pay deal agreed earlier between negotiators from the two sides. The workers want a wage increase of NKr3.00 per hour – double the rate agreed by negotiators – and improved pension terms.

The strike has so far had little effect on Norway's vital oil output, but this is likely to change as maintenance work is shut down. Statoil said output from Gullfaks B, which normally pumps about 140,000 barrels of crude per day, was down by 23 per cent as a result of a faulty pipe which could not be repaired.

Kvaerner, the shipbuilding and engineering group which recently took over Britain's Trafalgar House, said its shipyards and other manufacturing in Norway was virtually at a standstill. It said 4,000 workers, about half its Norwegian workforce, were on strike, and up to 1,000 more would have to be laid off temporarily.

"We hope we will be able to catch up on these projects and fulfill our contracts on time. But of course we are very concerned about the strike," the company said.

German plea over eastern states aid

By Neil Buckley in Brussels

Germany has asked the European Commission to extend EU aid payments to the former East Germany beyond 1999. It warns that rebuilding the eastern states will cost "hundreds of billions of D-Marks a year" well into the next century.

It also wants the competition authorities to continue to give favourable treatment to applications for German state subsidies to the eastern federal states, or länder.

Mr Günter Rexrodt, the economics minister, presented a memorandum in Brussels yesterday to Mr Jacques Santer, the Commission president, and Mr Karel Van Miert, the competition commissioner, on the progress of reconstruction in the former Communist portion of the country.

He said Germany had come "half way", but the rest of the process would be "more complicated". The eastern states still lacked infrastructure, and had no funds to finance investments themselves.

"We will have a long period of time, longer than originally planned, when important and broad public support measures to increase entrepreneurial capacity will be needed.

"This is not just an industrial question, but a social question, about the social coherence of a country and a people," he said.

Eastern Germany is due to receive a total of Ecu14bn ($17bn) in EU structural funds, in a six-year programme ending in 1999. Mr Rexrodt warned that ending the aid could lead to social problems, and transfer of industry into the western länder.

He hoped the Commission would continue to show "comprehension" in dealing with applications for state subsidies. Until last year, it had accelerated vetting procedures for state aid to eastern Germany, with special concessions allowing block payments of subsidies without case-by-case scrutiny.

It was replaced by a special task force to vet east German aid within the Commission's competition directorate, but that is currently due to last only one year.

Mr Santer said extended aid to eastern Germany would have to be the subject of "joint dialogue" with other member states. "They must be included in the dialogue, because they also have problems at home," he warned.

Commission officials said they believed the special arrangements for vetting German state aids were already adequate.

Gross transfers of public funds to eastern Germany from 1992 to the end of this year are projected to reach DM854bn ($562bn), of which the Germany authorities expect to receive DM214bn back in taxes.

Uncertainty over tax changes is creating a harsher climate for local carmakers

Swedes' love affair with company cars goes cold

Hugh Carnegy on a debate that has even included the risk of collision with elks

Amid the harsh sound of grinding gears, a fierce debate has broken out in Sweden over company cars.

On one side in the argument is the Social Democrat government and on the other side the country's motor vehicle industry and trade union leaders.

The debate involves a number of vital but sometimes conflicting issues, including:

- The government's desire to further Sweden's environment-friendly credentials;
- Questions of tax advantages in a high-tax economy;
- Concern about jobs in a key industry at a time of record 12 per cent unemployment.

At the heart of the issue are Sweden's two car manufacturers, Volvo and Saab.

For years they have been heavily reliant on company car sales for a big chunk of revenues in their important home market – which together they have dominated. But both have seen their sales in Sweden lurch into reverse this year amid uncertainty about the rules governing the purchase of cars by employers for use by employees.

This has happened just as the two companies are struggling to survive losses caused by a combination of low volumes, high development and marketing costs, and the effects of a rise in value of the Swedish krona.

Volvo and Saab have so far been the main – though not the only – beneficiaries of Sweden's company car regime.

When developed in the late 1970s, this regime effectively offered a way for employees to get significant income benefits while avoiding the worst excesses of marginal taxes, then around 80 per cent.

Many employees on middle and upper incomes could thus afford large cars – and their choice was weighted towards Volvo and Saab because in the home market they were priced more keenly than equivalent-sized foreign competitors.

This has led to the unusual situation, compared with other European countries, that the luxury Volvo 800- and 900-series models are the two biggest-selling cars in the country.

As it operates today, the company car system means that an employee pays marginal income tax every year on up to 40 per cent of the value of his company car.

In addition, the car user can be fully reimbursed for petrol by the employer, even for private journeys, without incurring any income tax.

The number of company cars has already fallen in recent years from a peak of around 260,000 to 170,000 out of a total car stock in Sweden of 3.5m. This has come about because reforms to the income tax system have already narrowed the tax advantage of company cars.

The percentage of company cars in Sweden's total car stock is well below the percentage in the UK, for example, where company cars account for some 10 per cent of vehicle sales. But company cars still make up 80 per cent of Saab sales in Sweden and up to 50 per cent of Volvo sales – and for both companies Sweden is one of their top three markets.

Now the government is proposing rule changes which the motor vehicle industry lobby believes will further erode the incentive for company cars by further narrowing the tax advantage and increasing the administrative cost to companies.

A proposal earlier this month by the finance ministry would limit the petrol allowance. Most users would be compensated by lower tax on the value of their company car, but many companies said their inclination was in future to run down their company car fleets – offering employees low- or zero-interest loans to buy cars instead.

"The company car market will decline to about 40 or 50 per cent of what it is today," estimates Mr Ronny Svensson, a company car consultant in the city of Malmö.

The government's intention – driven by Ms Anna Lindh, the environment minister – is not so much to close tax loopholes as to end a system that effectively encourages people to drive further in big cars. This goes against government policy to cut pollutant emissions.

Ms Lindh is insisting that Swedes should switch to smaller, less fuel-thirsty vehicles and has suggested Volvo and Saab should also adapt their model ranges accordingly.

The policy shows signs already of having an effect, as the car showing the biggest increase in sales in Sweden this year is the compact Volkswagen Golf. In the first four months this year it has moved up from seventh to fourth place, overtaking both the Saab 9000 and 900 models.

This has exasperated the car sector lobby, which warns that 200,000 jobs linked to the industry in Sweden are at stake. This year, German-made cars have overtaken Swedish-made cars as holders of the biggest market share in Sweden.

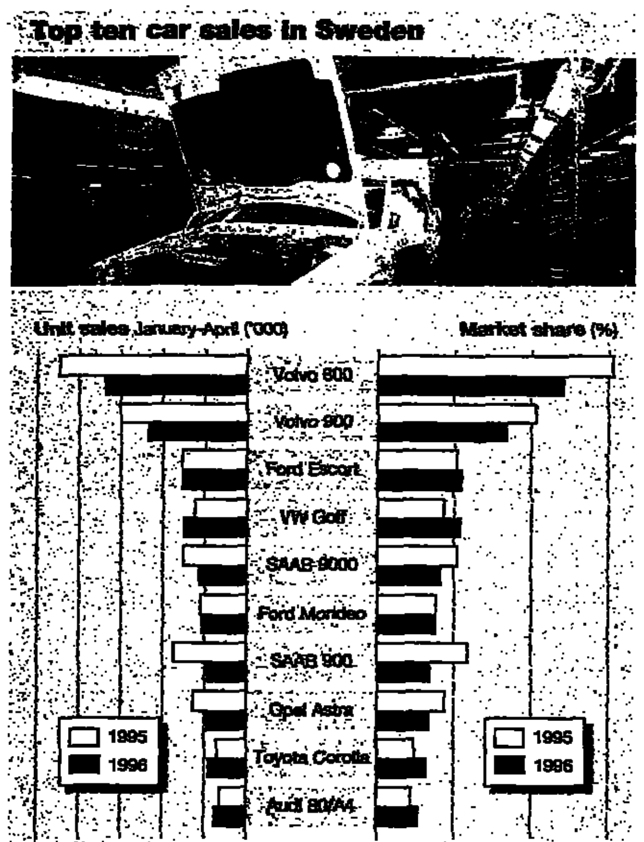
The car lobby also scoffs at the environmental argument. "The emission effects of shifting to smaller cars is almost nothing," insists Mr Svensson.

"Meanwhile, there will be a decline in safety as Swedes have to drive long distances and face special dangers, like the frequent collisions with elks, which small cars cannot cope with like Volvos and Saabs."

The issue is not due to be settled until late this year, when the government will put new company car rules to parliament.

In the meantime Volvo and Saab are resigned to their fate.

"For us Sweden is a black hole at the moment," said a Saab spokesman. "The market will be stone dead until the new rules are clear," echoed a colleague at Volvo.



Serb hardliners in last stand against Dayton

By Harriet Martin in Sarajevo and Laura Silber in Zagreb

Hardliners were yesterday consolidating their hold on the Bosnian Serb leadership, after brushing aside demands from the international community to depose their president, Mr Radovan Karadzic, who is wanted in The Hague on charges of war crimes.

The failure at the weekend by Mr Carl Bildt, in charge of implementing the civilian side of the Bosnian peace process, to persuade the Bosnian Serbs to oust the hardline leadership casts a shadow over the prospects for the Dayton peace process in Bosnia.

But reports in Belgrade suggested that, while Mr Karadzic was clinging to power, he would soon face renewed efforts by President Slobodan Milosevic of Serbia to force him to step down. Mr Milosevic himself has come under pressure from the international community to oust Mr Karadzic.

"They are the last gasps of a drowning man," said a Serbian reporter of Mr Karadzic's most recent manoeuvre aimed at keeping control from the sidelines.

Mr Momcilo Krajisnik, leader of the Bosnian Serb parliament, on Sunday promised Mr Bildt a signed undertaking on behalf of the Serb leadership in their mountain stronghold of Pale to push Mr Karadzic aside. But the document did not materialise. Under the Dayton agreement, Mr Karadzic is barred from standing for office in the elections throughout Bosnia scheduled for this autumn.

Mr Bildt's spokesman yesterday tried to put a positive gloss on the weekend's events. Mr Colum Murphy said: "I think a sea-change has taken place in the Bosnian Serb leadership, at least in their understanding that Mr Karadzic must be removed and must stay out of public life."

Mr Karadzic did announce over the weekend that he would hand over some of his duties to the vice-president, Mrs Biljana Plavsic. These duties would include dealings with the international community, from which he has been excluded since the Dayton agreement was signed last November.

However, Mrs Plavsic is considered even more hardline than Mr Karadzic himself and it is likely that her appointment was a slap in the face for Mr Milosevic.

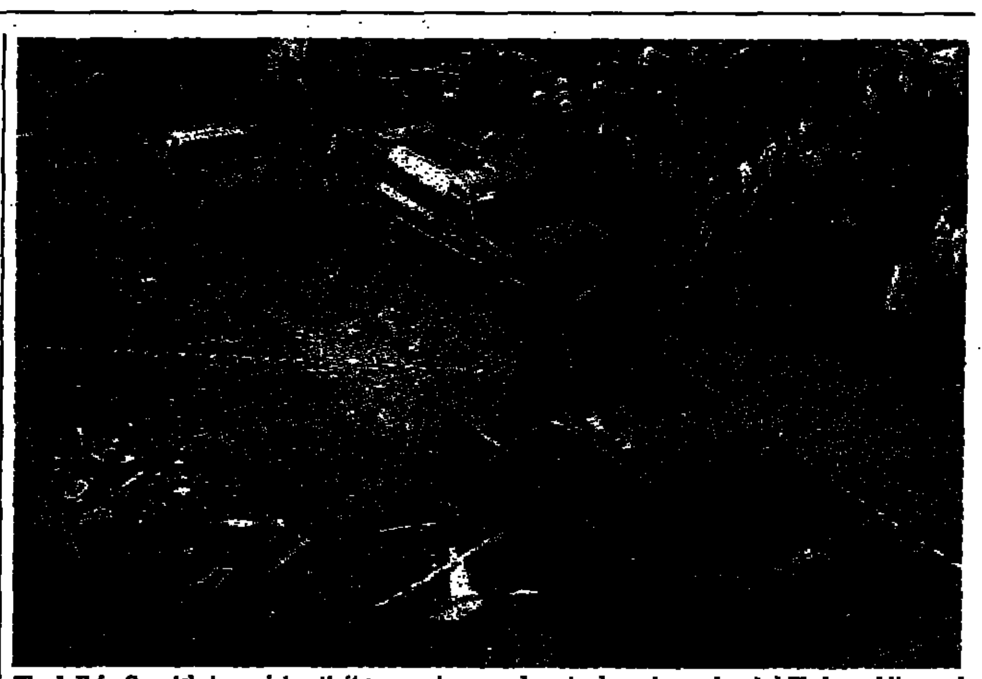
At a secret meeting in Belgrade on Thursday between the Serbian President and Mr Karadzic, the Bosnian Serb leader is said to have agreed to cede power if his ally became prime minister in place of Mr Rajko Kasagic, who was backed by Mr Milosevic.

Mr Kasagic had been a public backer of the Dayton peace plan. His replacement, Mr Gojko Klickovic, is another wartime hardliner. Mr Bildt, who has tried to encourage the emergence of a more moderate Serb leadership, refused to recognise the sacking of Mr Kasagic.

Many diplomats believe that Mr Bildt's determination to get Mr Karadzic out of public office is fruitless, when collectively the Bosnian Serb leadership opposes the reintegration of the country demanded by the Dayton agreement.

Mr Kasagic, the ousted prime minister, said yesterday: "All my efforts were to help Mr Karadzic as leader of the Serb people.

"I believe he has the best interests of the Serb people in mind and I wanted to help him against the accusations [of war crimes]."



The lull in Spanish terrorist activity came to an end yesterday when a bomb killed a soldier and wounded three other people in the city of Córdoba, writes David White in Madrid. The explosion was blamed on Eta, the Basque separatist organisation. It would be Eta's first attack since the general election in March which gave power to the centre-right Popular party. *Reuter*

Romania may restrict right to sell farmland

By Virginia Marsh in Budapest

Romania, one of eastern Europe's main agriculture producers, is considering restricting the right of farmers to sell their land on the free market and may create a national land agency with broad powers of intervention.

The return of farmland to more than 5m former owners or their descendants under a 1991 act laid the basis for private sector farming, a traditional mainstay of the Romanian economy.

It is regarded as one of the country's most important post-Communist reforms. However, it has led to farmland being divided up into small, uneconomical holdings. The amount returned was limited to 10 hectares per former owner but the average was 2.2ha, often divided into four or five plots.

A new law has been drafted which aims to create larger farms by dictating to whom farmers may sell their land. It says land must be offered to joint owners, neighbours or farmers leasing the land in that order. If no buyer is found in these categories, then a new rural development agency will have the right to buy.

However, in an attempt to prop up land values, under one proposal the agency would pay a centrally-determined price for land, above its current market value which the left-wing minority government considers too low. This, however, could lead to the agency being flooded with offers.

Creation of the agency was foreseen in the 1991 law but the two houses of parliament have been unable to agree on the details. There now appears to be a consensus in favour of the bill in the Senate, the upper chamber, which has restarted debate on the draft.

Farmers' groups and western analysts in Bucharest say the bill smacks of central planning and that its acceptance would be a setback for the sector, the reform of which is critical to Romania's chances of joining the European Union.

Last year, agriculture which is more than 80 per cent privately run, contributed about 20 per cent of gross domestic product and employed a third of the workforce, more than in any other former Eastern bloc country apart from Albania.

The agency, as presently planned, is also seen by analysts as far too expensive for the cash-strapped state to run, and would add another layer to an already stifling bureaucracy. It could also produce further scope for corruption.

"Among other things, we fear that well-connected individuals could buy up land cheaply and sell it at higher prices to the agency," a western official said yesterday.

EUROPEAN NEWS DIGEST

Credit Suisse in insider probe

Credit Suisse, the Swiss banking group, said it had been asked by Swiss prosecutors for information relating to alleged insider trading in the shares of Syntex, a US pharmaceutical company, before its $5.3bn acquisition by Roche Holdings of Switzerland in 1994.

CS said it was conducting internal inquiries and could make no further comment on reports in the Sonntags Zeitung newspaper that it had made a profits of SFr500,000 ($400,000) on a purchase of 45,000 Syntex shares.

Sonntags Zeitung also reported that a purchase of 100,000 Syntex shares by Rieter Holding was under investigation.

Trading patterns before the announcement of the Syntex acquisition set off alarm bells in the US.

Trading volume in call options for Syntex tripled on the Chicago Board Options Exchange the day before the announcement. *George Graham, London*

Brussels passes Bosch's US deal

A planned $1.5bn purchase by German motor components group Robert Bosch of AlliedSignal's automotive brakes business passed its final hurdle yesterday by winning the approval of the EU's competition authorities.

Bosch's deal with the US multinational will allow it to offer complete braking systems for cars and light- and medium-duty vehicles.

Until now it has produced complete braking systems only for heavy duty commercial vehicles. AlliedSignal earned $2.1bn in sales last year from the business now being sold. Under the terms of the deal, Bosch will now assume responsibility for 11,000 employees and 24 production facilities in Europe and North and South America, as well as joint ventures in Korea, China and India. *John Griffiths, London*

Czech PM's party loses support

Support among voters for the incumbent Czech government, which faces a general election on May 31 and June 1, has fallen from 41 per cent to under 35 per cent of voters, according to an opinion poll yesterday.

The poll, taken between April 30 and May 7 by the state-owned IVVM agency, showed the centre-right Civic Democratic party (ODS) of prime minister Vaclav Klaus at 21.8 per cent, down from 25.5 per cent a month earlier; its two smaller coalition partners also suffered reversals. Support for the opposition Social Democratic party (CSSD) rose slightly to 17.7 per cent from 15.5 per cent.

Analysts said the drop in support for the governing parties reflected the higher profile adopted by the CSSD before campaigning opened officially last week. Mr Milos Zeman, its leader, hit the campaign trail several weeks ago. Mr Klaus, angered at what he deemed an excessively low-key campaign by ODS organisers, has made several personnel changes in his election team. *Vincent Boland, Prague*

Italian inflation figures mixed

Mixed inflation data from three of Italy's largest cities may damp market expectations of a cut in Italian interest rates. Preliminary consumer price estimates for May, released yesterday, indicated that inflation rose in Turin, and fell only slightly in Trieste and Milan.

With a new centre-left government now in place, the financial markets believe that if the annual rise in consumer prices is held to 4.1 or 4.2 per cent for May, against 4.5 per cent in April, the Bank of Italy may cut interest rates. Official May inflation figures will be released next month.

Separately, Istat, the state statistics institute, published industrial production figures that showed the year-on-year rise for March had come down to 3.6 per cent, against 4.9 per cent in February. *Andrew Hill, Milan*

■ A union representing Alitalia cabin crew yesterday called a 24-hour strike for May 31 in the first clear signal of opposition to the Italian state airline's restructuring plan. Sulta, the cabin crews' union, said Alitalia had shown "no willingness to reach a positive solution".

Boost to Greek-Albanian links

Greece and Albania have signed agreements offering temporary work permits to Albanian immigrants and opening a Greek consulate in Korcë, a southern Albanian town where investment by Greek companies is increasing. The agreements seal a recent improvement in relations after several years of hostility over the status of the ethnic Greek minority in southern Albania. Diplomats said the accord on migrant workers would give Albania's governing Democratic party a boost ahead of Sunday's general election.

More than 300,000 Albanians work in Greece, but fewer than 50,000 are legally employed. The agreement does not specify how many Albanians will be eligible, but a Greek official said more than 100,000 seasonal jobs were available. Greek textile, tobacco and food-processing companies have invested about $15m in joint ventures with Albanian partners in Korcë, taking advantage of low labour costs. *Kerin Hope, Athens*

Jail demanded in Banesto case

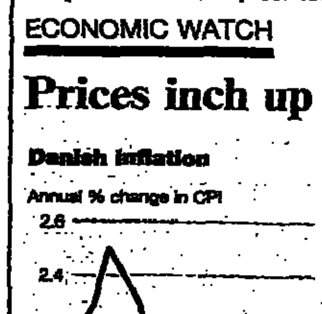
The state prosecutor in Spain's Banesto banking case is seeking a 44-year jail term for Mr Mario Conde, former chairman of the banking group which underwent a $4bn rescue operation after intervention by the Bank of Spain in late 1993.

Mr Conde faces charges of fraud, misappropriation and falsification while running the bank, which has since become part of the Banco Santander group. The prosecutor is also seeking Pta7.8bn ($61m) in compensation. Jail terms of between eight and 30 years are being sought for seven former colleagues of Mr Conde.

The Deposit Guarantee Fund, the safety-net body funded by the Bank of Spain and the banking system, which is among several parties pressing for criminal charges, is asking for a 54-year term for Mr Conde and repayment of Pta192bn which went into the rescue. An investigating judge last month completed a 17-month probe of Banesto. *David White, Madrid*

ECONOMIC WATCH

Prices inch up in Denmark



Denmark's consumer price index rose 0.3 per cent in April from a month earlier, bringing the year-on-year inflation rate to 2.0 per cent, the national statistics agency said yesterday.

The April figure was expected. Analysts had predicted a month-on-month rise of 0.3 per cent and a yearly rate of 2 per cent. The largest price increases were seen in the categories of heating and medical care, which rose by 0.5 per cent from the previous month. In contrast, the only sector to record a decline was clothing and footwear, which fell 0.4 per cent from March.

But consumer prices calculated in line with new European Union methods rose 0.3 per cent in April from March and were 2.3 per cent higher than in April 1995, the statistics agency said. *Reuter, Copenhagen*

■ The central bank of Latvia said the country's gross domestic product fell by 1.6 per cent last year. It blamed last year's banking crisis, an unstable budget situation and post-election political uncertainty.

■ Spain posted a Pta279.1bn ($2.2bn) budget surplus in April, compared to a deficit of Pta692.2bn in March.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.
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Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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German pay showdown in public sector

By Andrew Fisher in Frankfurt and Frederick Stüdemann in Berlin

German transport and postal services were hit by a further outbreak of strikes yesterday as public sector workers vented their frustration at the government's determination to freeze wages and cut spending.

The actions came ahead of tomorrow's resumption of public sector wage talks, where employers have so far refused to make an offer. Trade unions, led by the big OTV public sector union, are demanding a 4.5 per cent increase for the 3.2m public sector workers.

As more evidence of the worsening public finances emerged, Chancellor Helmut Kohl asserted he would stand firm against the unions. "I have never been impressed by threats," he said on German television. Unions were simply trying to protect their own interests. "They will not get anywhere."

Yesterday's action – consisting of "warning" strikes, which normally last a few hours – brought transport services to a halt for several hours in the morning, mainly in the heavily industrialised state of North-Rhine Westphalia. Particularly affected were Cologne, Düsseldorf, Bochum and Leverkusen. Stoppages also occurred in cities elsewhere, such as Stuttgart and Hanover.

Postal workers halted deliveries in several districts of Berlin. Other services to be hit in different parts of Germany included waste collection, hospitals and kindergartens.

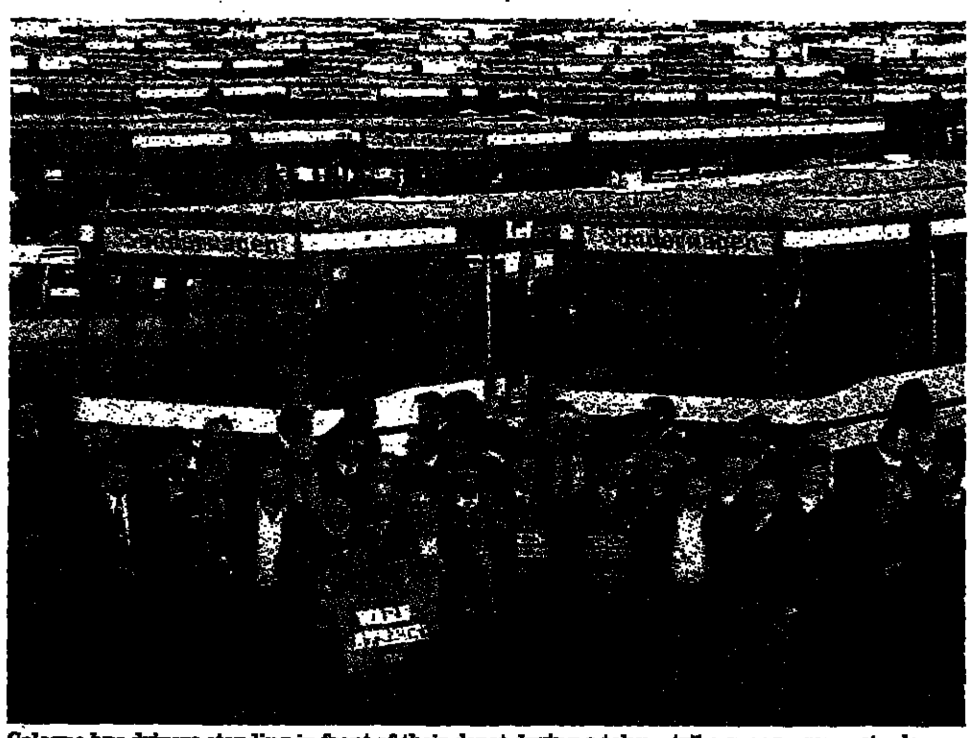
As well as holding down wages, employers also want to introduce longer and more flexible working hours and reduce sickness payments. Mr Lothar Ruschmeyer, the Cologne city official representing local authorities, said they had little room for manoeuvre by employers. "We have only a limited budget."

As union anger mounted, the government made clear why it was taking a tough stance. Mr Theo Waigel, the finance minister, said federal borrowings might have to rise because of an expected fall in 1996 tax revenues of around DM11.8bn ($7.7bn) and higher unemployment spending. It had planned to keep borrowings below DM60bn this year.

He gave no details of how much new debt the government would take on, but said it would not be as large as the shortfall caused by the drop in tax receipts and the spending increase. "We will do everything to keep it [new debt] as low as possible," he said.

Calls from the opposition Social Democratic party for a supplementary budget were ruled out by Mr Waigel who said existing measures for freezing expenditure were sufficient. He added it was too soon to estimate how much new borrowing was necessary as it was not clear how high interest payments and savings in expenditure would be.

Mr Gunnar Uldall, economics expert of the Christian Democrat parliamentary party, called on Mr Waigel not to increase public borrowing. Mr Uldall, who has proposed an overhaul of the tax system, said any increase in borrowing would be "unjustifiable".



Cologne bus drivers standing in front of their depot during a token strike over wages yesterday AP

St Petersburg sends poll alert to Yeltsin

John Thornhill sees Russia's second city warn those in power

Mr Anatoly Sobchak, the liberal mayor of St Petersburg, will have to fight a second head-to-head election against his deputy after failing to secure an outright majority in Sunday's poll for the city's top job.

The election, seen as a dress rehearsal for next month's Russian presidential poll, confirms a strong anti-incumbent mood among voters and may worry President Boris Yeltsin's advisers.

Mr Sobchak had closely identified himself with the president in an attempt to win support. "We are in one team with President Yeltsin and represent the reformers," Mr Sobchak said on the eve of the poll. The incumbent mayor received 29 per cent of the vote in a low turn-out of just 49 per cent. Mr Vladimir Yakovlev, the deputy mayor who broke with Mr Sobchak to run as an independent, made a surprisingly strong showing, winning 22 per cent. The Communist party candidate came fourth with 10 per cent.

The result highlights how Russia's opinion polls often fail to reflect the strength of opposition candidates. The last pre-election opinion polls accurately predicted Mr Sobchak's vote but greatly understated Mr Yakovlev's support. However, Mr Yakovlev did receive the last-minute endorsement of two other candidates who pulled out of the race.

Mr Yakovlev, 51, who runs the city's municipal services, has criticised Mr Sobchak's ineffectiveness and vowed to rebuild St Petersburg's industrial base, styling himself as the local equivalent of Mr Yuri Luzhkov, Moscow's earthy and populist mayor.

But Mr Yakovlev is a political moderate who backs Mr Yeltsin's re-election campaign.

The post of St Petersburg mayor – to be renamed governor – could assume considerable importance if Mr Gennady Zyuganov, the Communist party presidential candidate, were to become Russian president.

St Petersburg became a centre of resistance to the hardline Communist coup of 1991 and the liberal city could again be pitched into confrontation with Moscow if Mr Zyuganov attempted to implement some of his supporters' more hardline policies.

When first elected in 1991, Mr Sobchak received almost two-thirds of the vote but his popularity has waned as the city's economy has slumped and the local administration has seemingly failed to arrest a slide in living standards.

The second round of voting is likely to be held on Sunday and Mr Sobchak must still be considered favourite. A St Petersburg Times/Gallup poll, conducted between May 12-14, found 40.9 per cent of the 1,012 voters polled would vote for Mr Sobchak in a second round contest compared with 27.8 per cent for Mr Yakovlev – although 20 per cent remained undecided.

But Mr Yakovlev's aggressive and well-financed campaign has now gained considerable momentum and is attracting the backing of most of the defeated candidates.

Local newspapers have also speculated that Mr Yakovlev is linked to a clique of Moscow politicians, including Mr Oleg Soskovets, the hardline first deputy prime minister.

French civil service to lead new strikes

By David Buchan in Paris

The French government is seeking to head off a clash with unions angered by prime minister Alain Juppé's promise to cut "excess fat" out of the civil service, as part of his economy drive in the 1997 budget.

Unions have already planned national demonstrations on Thursday to push for reductions in working hours as a way of creating more jobs. Sectoral strikes are also scheduled for early next month to protest against the partial privatisation of France Télécom and against the possible modification of the monopoly enjoyed by Electricité de France.

The unions also plan to protest against job losses at the state-owned GIAT tank manufacturer and at the private Alcatel group this week.

While there remains little likelihood of French unions restaging their enormous protests of last December, their leaders also claim to be outraged by Mr Juppé's attack in the National Assembly last week on "excess fat" (*la mauvaise graisse*, as he put it) in the civil service.

This phrase might seem anodyne abroad.

But such is the sensitivity – and surprise – of French public sector unions at being confronted with reductions in the number of government officials that the civil service minister, Mr Dominique Perben, was at pains over the weekend to claim that – in riposte to Socialist criticism – Mr Juppé was talking not of the present, but of the need to avoid a bloated civil service in the future.

Nevertheless, the Finance Ministry yesterday confirmed its desire to start pruning the civil service by not entirely replacing the 65,000 officials who will retire from the government bureaucracy over the coming year.

To underscore that it is practising the austerity it is preaching to other departments, the Finance Ministry also announced the scrapping of a FFr500m ($97.3m) proposal to re-locate some 1,500 of its own officials to more comfortable quarters just outside Paris.

The ministry said it had only spent FFr80m on the project, mainly on buying land at Marne-La-Vallée which would now be resold.

However, partly because non-replacement of some civil servants will not save large amounts of money next year, the ministry confirmed yesterday that in the 1997 budget – on which France's qualification for European monetary union will be based – it is also targeting inefficient job and housing subsidies for cuts.

It dismissed objections that this would fly in the face of President Jacques Chirac's campaign pledges to create jobs and build houses, saying that although the president was committed to achieving these goals he was not intending to waste money in the process.

France's state TV loses case against producer

By Andrew Jack in Paris

A Paris court yesterday rejected attempts by France 2, one of the country's state-owned television stations, to launch a legal challenge against one of the independent production companies that supplies it with programmes.

The tribunal de commerce over-ruled attempts by the broadcaster to appoint an independent expert to examine in detail the accounts of Reservoir Prod, a company controlled by Mr Jean-Luc Delarue, a popular television presenter.

France 2, which has been strongly attacked by politicians and others for the large sums paid to television presenters, claimed that there was a lack of transparency in the accounts provided by Mr Delarue, who is responsible for several talkshow-style programmes.

However, the tribunal said that the relatively high payments made for each broadcast, as well as an advance of FFr22.5m ($4.4m), were signed between "two audio-visual professionals" and there was no suggestion that Reservoir had not met its contractual obligations.

Its ruling came as Mr Philippe Douste-Blazy, minister of culture and communications, said he would be introducing a decree to require the heads of public television stations in the future to be fully aware of the details of contracts signed with outside producers.

Meanwhile, the CSA, the French audio-visual regulator, has demanded that France 2 provide further details this week on how it intends to improve its management of contracts with external production companies following a request last week after a previous hearing.

France 2 has come under intense criticism in the last few weeks. Some of its detractors say that they want to see the station privatised and others believe the station has already sacrificed much of its public service mission by accepting advertising and broadcasting programmes perceived to be of relatively low quality.

Mr Delarue's contract has come under particular scrutiny after disclosure of the margins his company makes, and the fact that his programmes have not generated the audience figures originally anticipated.

Some argue that there is an attempt to destabilise Mr Jean-Pierre Elkabbach, the chairman of France Télévision who controls France 2.

However, Mr Elkabbach's detractors question why he signed a production contract without being fully aware of its contents.

Separately, Mr Douste-Blazy pledged in the National Assembly last week to review the role of the country's state-run television.

He suggested an examination of its public service mission, with stress on the importance of news, culture, debates and educational programmes.

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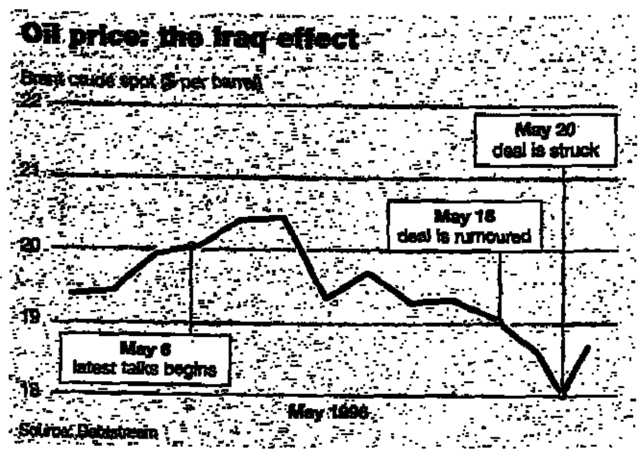


Further reduction of short-term prices thought to be likely

Oil traders weigh impact of Iraqi sales

By Robert Corzine in Jakarta

Most oil traders and industry executives yesterday said they needed time to study the details of the agreement between Iraq and the United Nations on limited oil sales before assessing its likely long term impact on world oil markets.

Many assumed, however, that the return of Iraqi crude will further depress short-term prices. Mr Joe Stanislaw, an analyst with Cambridge Energy Research Associates in Paris, estimated that over the next few months the Iraqi deal could shave $1-$1.50 off the current price of around $17.50 for the benchmark Brent blend for July delivery.

But analysts also said that the way in which Iraqi crude would be exported would also determine its overall impact on prices. A key issue facing the industry is how the return of Iraqi crude oil, even in limited amounts of perhaps 600,000 to 700,000 barrels a day will affect existing oil trading patterns. In the course of the negotiations some traders voiced fears that Iraq might try to use the oil sales in such a way as to destabilise the markets of some of its Gulf rivals.

The agreement, however, is constructed so that the UN Security Council Sanctions Committee, known as the "661 committee", will have to approve each proposed sale. Details, such as the proposed purchase price at "fair market value", the export routes and information on the letter of credits payable to a UN monitored escrow account, will have to be provided by countries buying Iraqi crude oil.

The sales will also be monitored by independent industry experts based at Ceyhan, the Turkish port at the end of the pipeline that links Iraq's oil fields to the Mediterranean, and at Mina Al-Bakr, Iraq's oil export terminal on the Gulf.

Such measures were put in place to prevent any cheating by Iraq. Oil traders yesterday said they were reassured by the various safeguards, but they want to see how the system works in practice.

Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney, said the market was still not fully focused on how Iraqi exports might effect prices over the medium term. "We need to see how the oil sales are organised and how they will impact on oil trading patterns," he said.

Iraq yesterday said the agreement on limited sales was merely the first step in a process which will lead to its full return to world oil markets. But most western analysts said it was unlikely that the limited sales programme would be expanded beyond its current objectives.

Yesterday's agreement also revealed that Iraq would also like to export oil through neighbouring Syria. But Baghdad agreed to defer that demand "in order to facilitate the conclusion" of the agreement. Baghdad also agreed to defer another demand that it be reimbursed $2 a barrel to cover the cost of production and transport of the oil within Iraq.

The agreement also raised questions about whether other members of the Organisation of Petroleum Exporting Countries will have to cut their production in order to accommodate the Iraqi oil.

In recent months Opec's output has been running about 1m barrels a day above the group's production ceiling of 24.52m barrels a day. Opec yesterday said it would take some action at its meeting in Vienna in early June to ensure that the return of Iraqi oil does not destabilise world markets.

But some analysts warned that the return of Iraqi crude could bring to a head a long simmering dispute between Saudi Arabia, Opec's largest producer, and countries such as Venezuela, which have been cheating on their production quotas over the past year or so.

OECD sees scope for European rate cuts

Spending reductions in Germany and France bring downgrading of outlook for 1996, but a sharp rebound is expected next year

Officials at the Organisation for Economic Co-operation and Development believe there may be room for further small cuts in European interest rates to counteract the effect of fiscal tightening.

The belief emerged as the OECD published its latest forecasts ahead of the annual meeting of ministers in Paris today, showing that it had sharply downgraded its 1996 forecast from the last projections it made at the end of 1995.

Next year the OECD thinks growth will rebound sharply. However, its officials yesterday admitted that recent spending cut plans announced by the German and French governments could weaken growth in the short term.

Against this backround, economists believe that some further easing might be appropriate. However, they warned that sudden large cuts could fuel market unease and push up long-term interest rates, thus exacerbating Europe's problem, unless monetary easing was accompanied by actual reductions in deficits.

Meanwhile, the group said it was far less optimistic than the European Commission about the prospect of France and Germany meeting the Maastricht criteria on debt. These stipulate that debt should be no more than 3 per cent of GDP in 1997 to qualify for monetary union in 1999.

The Commission forecast last week that France and Germany would narrowly meet the debt requirement. However, OECD economists said they were "very surprised" by this. Some suspect that the Commission reached this conclusion only by downplaying the knock-on impact that slower growth would have on trade flows across the region.

The OECD said its own forecasts showed France and Germany would miss the target, if latest French and German deficit cutting plans were not taken into consideration.

Many private sector economists doubt whether France and Germany will actually be able to implement their latest ambitious measures – particularly given the high levels of forecast unemployment.

Consequently, the OECD has stressed it does not plan to factor the measures into its calculations until it has seen the promises put into legislation.

Nevertheless, the French government yesterday indicated that it had every intention of pressing ahead with its spending cuts – and said it was determined to meet the 3 per cent criterion for debt.

If all the promised measures are actually implemented, then some OECD economists think it could bring the French deficit down near 3 per cent.

Nevertheless, Mr Jean Claude Paye, the outgoing secretary general of the OECD, added that he believed that monetary union would go ahead in Europe.

Gillian Tett and Graham Bowley

US seeks weighted voting

The US is set to table a proposal that would introduce weighted voting at the Organisation for Economic Co-operation and Development and give Washington, which provides a quarter of the OECD budget, a significantly larger say in the group's future, Gillian Tett reports from Paris.

Japan, the second largest donor, and other countries like the UK and Germany would also benefit from the proposals.

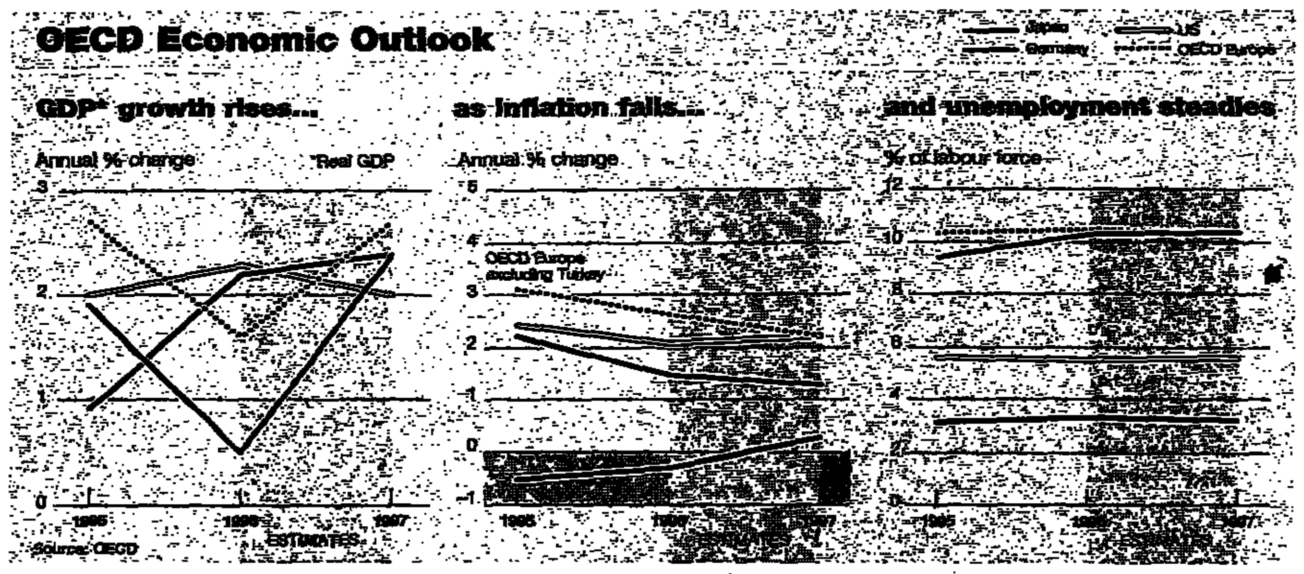
However, smaller countries fear they would lose influence under such a system. Some of the larger countries fear that weighted voting would seriously undermine the OECD's tradition of operating through consensus, which gives every member the right to veto proposals.

The US, however, argues that the move could help break the paralysis which has been dogging the OECD's structures. "We think this could be used for budgetary decisions," a US official said.

The suggestion comes after a year in which the group has faced a growing budget crisis, triggered partly by the failure of the US Congress to release money to pay its dues.

US officials hope to have paid their backlog by the end of the year, but they envisage a 2.5 per cent cut in their contribution.

European slowdown hits growth forecast



The Organisation for Economic Co-operation and Development has cut its forecasts of economic growth in the industrialised world this year and next because of the sharp slowdown in the German and French economies.

The group, expects the world's leading 27 industrialised economies to grow by 2.1 per cent this year and by 2.5 per cent in 1997. The OECD had forecast growth of 2.6 per cent this year and 2.8 per cent in 1997 when it published its last economic outlook in December.

Mr Kumiharu Shigehara, the OECD's chief economist, said the rise in long-term interest rates in 1994, the appreciation of the D-Mark up until last summer and turbulence in currency markets early last year were the main reasons behind the downward revisions to growth in France and Germany. The OECD now expects Germany to grow by 0.5 per cent this year compared with the forecast of 2.4 per cent six months ago.

But Mr Shigehara predicted that growth would rebound towards the end of 1996. "With a substantial reduction in short-term interest rates this year and a correction in the D-Mark we expect a recovery in the second half of this year," he said. The OECD expects Germany to grow by 2.4 per cent next year – compared with its earlier forecast of 2.7 per cent.

However, the forecasts do not take into account the big fiscal cuts announced recently by the German and French governments. Mr Jean-Claude Paye, the outgoing secretary general, said the cuts might mean growth in Germany and France could be even slower than forecast, although they might also boost growth, depending on the reaction of financial markets and monetary policy. He said markets' reaction and monetary policy depended on the "quality" of fiscal consolidation undertaken by countries.

The OECD expects steady growth in the US with GDP up 2.3 per cent this year and 2 per cent in 1997. This compares with December's forecast of 2.7 per cent this year and 2.8 per cent next year. Mr Shigehara said the downward revisions reflected higher long-term interest rates and weaker US exports to Europe but that it was also due to technical changes in national accounting procedures.

Mr Shigehara said the US was "in a happy situation. The output gap has disappeared but we do not see imminent signs of inflation."

The growth forecast for Japan this year has been raised slightly from 2 per cent to 2.2 per cent. But the projection for next year has been shaved from 2.7 per cent to 2.4 per cent. Growth in Japan had been a big disappointment for the OECD, but Mr Paye said that now "where [world economic growth] needed to improve, it is improving, in Japan".

Mr Shigehara said the Japanese recovery would be based on stronger business investment and a "fragile" consumer rebound. It would be underpinned by the current stimulating macroeconomic policies and by the correction of the yen from its overvaluation against the dollar.

But in spite of continued growth in the US and the recoveries in Japan and Europe, the OECD expects unemployment across the OECD area to remain stubbornly high, particularly in Germany.

It forecasts that 7.7 per cent of the workforce in OECD countries will be unemployed this year, falling only to 7.6 per cent next year – the same as it forecast in December. In Germany, the unemployment rate is forecast at 10.3 per cent this year, rising to 10.4 per cent in 1997.

"In several countries the employment situation is not very satisfactory," Mr Paye said. One of the main issues to be discussed would be ways in which more growth than currently forecast could be obtained over the next 18 months.

Graham Bowley

Doubts over link between labour rights and trade

By Guy de Jonquières

There is no clear link between countries' economic and trade performance and their respect for core labour standards, and it is questionable whether trade measures would be effective in enforcing such standards, a study by the Organisation for Economic Co-operation and Development has found.

Nevertheless the US said yesterday that the study, approved by OECD governments only after long debate, provided the basis for pressing ahead with its controversial campaign for action on trade and labour standards in the World Trade Organisation.

Mr Jeff Lang, acting deputy US trade representative, said his government would press the WTO's ministerial meeting in Singapore in December to set up a working group on the issue. That demand goes beyond last month's agreement by trade ministers of the "Quad" powers – the US, Japan, the EU and Canada – simply to seek a discussion in the WTO.

The study compares evidence of developing countries' economic and trade performance with four "core" labour standards. These are freedom of association, elimination of exploitative child labour, prohibition of forced labour standards and non-discrimination in employment.

It finds only "a weak positive" link between countries' per capita gross domestic product and observance of freedom of association, and no relationship at all with real wage growth. Real wages have grown faster than productivity in several countries, such as Kuwait, Malaysia and Singapore, with little or no freedom of association.

The study also finds no link between core labour standards and export performance. Argentina's trade performance worsened after restoration of democracy, while South Korea's and Taiwan's trade performance appeared to have suffered after they improved core labour standards – though for unrelated reasons.

There is no evidence that the use of child labour in hand-made carpet production has given countries such as China, Nepal and Turkey an export advantage over countries such as Belgium and Denmark. Scale economies in production are likely to be more important.

It was unclear whether adoption of core labour standards encouraged trade liberalisation – or the reverse. Rather, the OECD suggests, the two processes support each other.

Proposals to use the WTO to enforce labour standards raised "a number of questions concerning the appropriateness and the effectiveness of various WTO mechanisms". Because of the weak evidence of a link between labour standards and trade, "there is a major question of the suitability of trade measures as an appropriate instrument".

Such measures would fall more heavily on open economies, would affect exporters with adequate core labour standards and would cause international political frictions – and possibly trade retaliation.

US accuses allies over Cuba, Page 7

Banks face $4bn bill to update global trade settlement systems

By Paul Taylor in London

Leading international banking institutions face a combined bill of $4bn to replace their global trading settlement systems for bonds and equities because they have failed to keep pace with the changing financial markets, according to a survey by Braxxon Technology, an information technology management and systems consultancy.

The survey was based on a sample of 25 top institutions employing 750,000 staff worldwide. It concludes that each of the top 50 investment banks need to spend at least $80m to replace settlement systems because they have failed to keep pace with business requirements arising from changes in the markets.

However, the report also suggests that investing in up-to-date systems could cut the eventual cost of settlement transactions by more than 25 per cent, and enable information to be accessed more quickly. There would also be savings in time, reduced human error, and clerical salary costs due to automation.

"Many people know their settlement systems are not efficient, but at present are patching things together and deferring the harsh, expensive reality of replacing them," says Mr Francis Morton, a financial IT specialist and author of the research. "In the long term this will act as a ball and chain, limiting the actual ability of the banks to run their business and constraining their development of new products and services.

"In this competitive market, the big players with the efficient settlement systems will stay in business, and may pull away from others. Most banks are worried that they are going to be left behind, but the Catch 22 situation is that they are holding back until a proven solution is available. Our research shows that there is no quick fix-it solution and no single panacea."

Among the study's other main findings, it emerged that almost a third of bank systems are more than 10 years old and IT-related costs of running settlement systems are as high as £10m ($15.2m) a year.

While 60 per cent of banks are considering or have started replacing their settlement systems, most will use London as the first site for new systems because they feel that the diversity of products traded in the City means that "if they have cracked the problem for London then they have substantially cracked it for their systems worldwide".

Of those questioned, no institution had successfully installed a single settlement system to process fully all investment products.

They have had significant problems implementing global systems that operate across the three main time zones. Most banks therefore favour phased replacement of systems rather than risk a single "big bang" change.

World banking and securities watchdogs aim to co-operate

By John Gapper, Banking Editor

World banking and securities regulators have agreed to try to work more closely together in supervising financial institutions, following the collapse of Barings, the UK merchant bank, and other mishaps in financial markets.

The two main bodies representing banking and investment banking regulators from industrialised countries yesterday issued a joint statement of principles for improved co-operation, in response to a request by the heads of government of the Group of Seven leading industrialised countries at the Halifax summit last June. It does not commit regulators in any one country to specific ways of working with each other. However, it is likely to reinforce a move towards groups that combine banking and securities operations coming under the joint scrutiny of regulators from the two industries.

The initiative is being mounted by the Basle Committee on Banking Supervision, which is the main international body for banking supervisors, and its counterpart, the International Organisation of Securities Commissions.

It became evident that regulators had failed to share information between countries and industries in last year's Barings failure. But there had been tension between regulators in the two industries in the past. This came to a head in 1992 with the breakdown of talks intended to provide a common standard for capital to cover trading risks.

The need for better co-operation has been spurred by the consolidation of financial industries in recent years, and the increasing takeovers of securities firms by commercial banks in Europe.

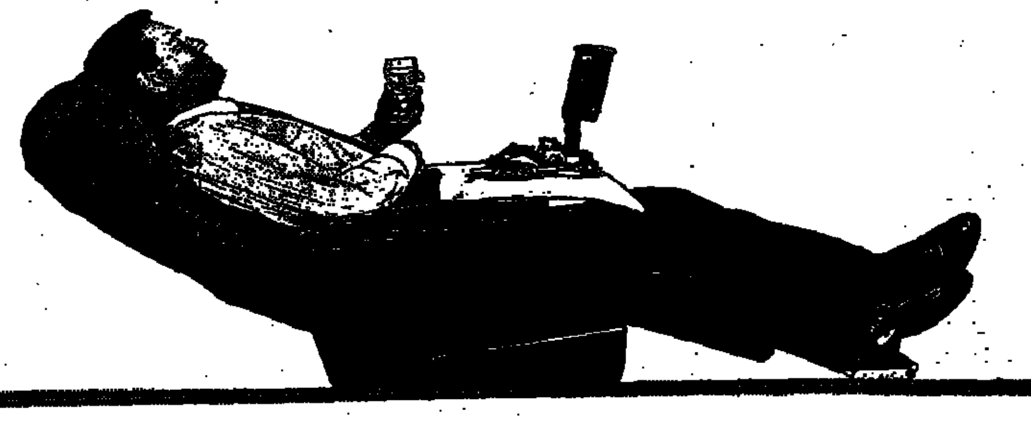
The bodies said they had identified eight principles:

- Co-operation among supervisory authorities should be as free as possible from national and international impediments.
- All banks and securities firms should be subject to effective supervision, including supervision of capital.
- Geographically and functionally diversified financial groups require special supervisory arrangements.
- All banks and securities firms should have adequate capital.
- All firms need to have proper risk management.
- Adequate reporting and disclosure is needed to ensure the transparency and integrity of markets.
- Markets must be able to survive the failure of individual firms.
- The supervisory process has to be constantly improved.

Despite this, the statement said arrangements to improve co-ordination and co-operation "will not in any way reduce the powers and responsibilities" of individual national supervisors.

See Lex, Page 16

THE SLEEPER SEAT THAT GIVES OTHER AIRLINES SLEEPLESS NIGHTS.



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HK groups accuse Patten of 'great disservice'

By John Ridding in Hong Kong

Hong Kong's main business organisations have written to Mr John Major, UK prime minister, accusing Mr Chris Patten, the territory's governor, of making "inappropriate and divisive" attacks on their ranks.

The criticism marks an escalation of a row triggered during Mr Patten's recent tour of North America and reflects a strained relationship between the governor and members of the business community.

Chinese companies will build stakes in Hong Kong businesses up to and beyond the territory's return to Chinese sovereignty next year, according to the head of the Asian securities arm of Crédit Lyonnais, the French state-owned bank, writes John Ridding in Hong Kong.

"There are some really big changes in corporate ownership coming which will surprise a lot of people," said Mr Gary Coull, chairman of Crédit Lyonnais Securities Asia. "Every industry in Hong Kong in one form or another will end up with some substantial Chinese, PRC, equity interest at some stage." Mr Coull said that sentiment towards Hong Kong was "cautiously optimistic" but added that there was a lot of uncertainty relating to the handover to China.

Ties between Mr Patten and some businessmen have been damaged by democratic reforms in the territory, which were implemented last year and which are fiercely opposed by Beijing.

The governor has urged stronger action from businessmen in defending Hong Kong's interests and autonomy ahead of next year's handover to China.

In their letter, sent yesterday, seven business organisations said that comments made by Mr Patten during his tour of North America earlier this month had cast doubt on the integrity of the business community.

Citing, in particular, an interview with Newsweek magazine, the Hong Kong General Chamber of Commerce, the Federation of Hong Kong Industries and five other business bodies said Mr Patten had done Hong Kong "a great disservice".

Mr Patten said in the interview that "privileged" Hong Kong people would not be supporting Beijing's plans for the handover, which include the dissolution of the territory's elected legislature, "if most of them did not have foreign passports in their back pockets".

However, he has rejected claims that he accused the business community of betraying Hong Kong, in a reference to the wording of the article's headline.

"I have made no such accusation," Mr Patten said last week.

"I have nothing but admiration for the contribution that the business sector has made to Hong Kong's success."

However, he added that members of the Preparatory Committee, the business-dominated body appointed by Beijing to oversee the handover, has "a weighty responsibility to speak out for Hong Kong".

Rejecting the charges from the chambers of commerce, a spokesman for the governor said last night that the criticisms seriously misrepresented the governor's message.

He said that Mr Patten had expressed confidence in Hong Kong's future but had done so against the background of anxieties about decisions by Chinese officials and perceived threats to Hong Kong's political and social institutions.

Dhaka's leader brings out the tanks

By Mark Nicholson, South Asia Correspondent

Tanks and troops yesterday ringed the palace of Mr Abdur Rahman Biswas, Bangladesh's president and caretaker leader, and other strategic sites in Dhaka after he dismissed the army's chief of staff, accusing him in a national television broadcast of plotting a "revolt".

The sudden deployments sent a wave of panic through Dhaka until it became clear the moves were precautionary and the troops loyal to Mr Biswas. Political nerves are fragile ahead of elections due on June 12, and following last February's boycotted polls.

Witnesses said calm had returned to the city last night, with traffic normal and no incidents reported. Six tanks remained outside the presidential palace, but troops appeared relaxed and the tanks' machine guns unarmed.

Mr Biswas, who assumed special interim powers as caretaker leader of Bangladesh in March, dismissed Lt-Gen Abu Saleh Mohammed Nasim as chief of staff after the army leader refused to send two senior officers into early retirement.

The two officers were alleged to have held talks with political leaders in the run-up to next month's elections.

"The nation cannot accept such a breach of military discipline, so I had to act," Mr Biswas said on national television. He then accused Mr Nasim, a hero of Bangladesh's liberation war of 1971, of organising troops to march on Dhaka. "This amounted to a revolt," he claimed.

The political neutrality of Bangladesh's army will be critical in next month's elections, called in March after former Prime Minister Khaleda Zia bowed to opposition pressure and stood down.

Mr Biswas succeeded Mrs Zia to head a "neutral caretaker government", meeting the chief demand of the country's three main opposition parties, led by Sheikh Hasina of the Awami League. She had led a two-year campaign of strikes and street protests alleging Mrs Zia's Bangladesh Nationalist Party was incapable of holding fair polls.

The opposition boycotted the February 15 elections, which returned a predictable sweep of BNP politicians.

Bangladesh's army retired to barracks in 1991 with the end of the military regime of Gen Ershad and the elections which returned Mrs Zia's BNP to power. Gen Ershad is seeking to contest next month's polls from jail, where he has been since losing power.

Vietnam and London Club in $900m debt settlement plan

By Jeremy Grant in Hanoi

Vietnam and its London Club creditors yesterday unveiled a package of proposals aimed at settling Hanoi's $900m of commercial arrears but surprised bankers by agreeing to grant Hanoi a significantly higher than expected level of debt forgiveness.

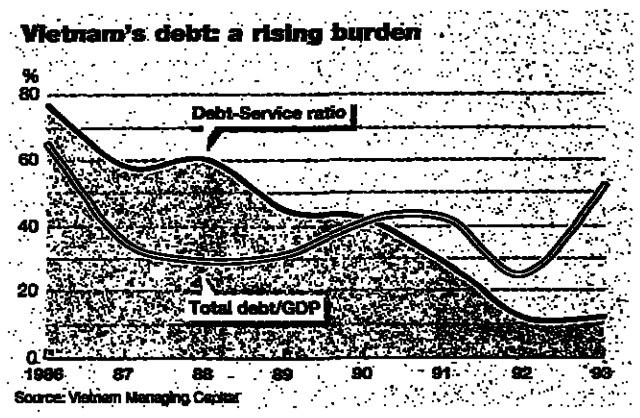
Vietnam's central bank and a bank advisory committee chaired by Bank of Tokyo-Mitsubishi and Australia and New Zealand Bank said agreement in principle had been reached on a menu of options to clear the debt, which would be put to all creditor banks.

If accepted by all London Club creditors, the deal could clear the way for communist-run Vietnam's debut on the international capital markets and unlock fresh bank lending.

Main sticking point has been Hanoi's insistence it achieve a 50 per cent write-down on original principal which amounts to about $400m.

"As far as the creditors are concerned it's not a particularly good deal," said Mr Frans Jonkers, Asian bond economist with ING-Barings in London.

Vietnam's debt: a rising burden



Source: Vietnam Managing Capital

Creditors can choose from a cash buyback, par bonds bearing low interest and discount bonds at market rates to settle principal. Interest arrears are to be treated by issuing "past due interest bonds." In the case of the discount bond, banks would receive paper with a face value of 50 per cent of the original principal.

This does not reduce Vietnam's overall burden by that amount but sets a pricing benchmark for the rest of the package. The discount bond bears interest at 13/16 per cent above London eurodollar rates.

Cash buyback terms were not clear but bankers said that on the basis of the options on offer, the bonds appeared expensive, even on an optimistic view of Vietnam's fundamentals and considering the scarcity of similar sovereign paper in Asia.

Such is the level of concern that some bankers fear rejection of the terms by some creditors, delaying a final settlement and complicating Hanoi's sovereign debt position. "The key issue will be what sort of risk premium people will attach to Vietnam now," said one London-based banker.

Some say the long length of maturities on the proposed bonds – 30 years on those relating to original principal and 18 years on those relating to past due interest – reflects growing concerns over Vietnam's increasingly fragile macro-economic condition. Vietnam's trade deficit more than doubled to $1.68bn in the first four months of this year.

Although Hanoi appears to have scored a coup, some observers say the apparent last-minute climbdown has more to do with pressure from Japanese industry keen to see the problem resolved in order to kick-start new Japanese bank lending in Vietnam.

Of the 21 foreign banks fully operating in Vietnam, only one – Bank of Tokyo-Mitsubishi – is Japanese. Others resisted opening offices in Vietnam until the resolution of the London Club debt, two thirds of which is owed to Japanese banks. "There's pressure on the Japanese banks to start doing some business here," said one Hanoi-based banker.

Majority secured by Kim in S Korea

By John Burton in Seoul

The South Korean government of President Kim Young-sam yesterday secured a parliamentary majority a month after it narrowly failed to retain control of the unicameral National Assembly in a general election.

Analysts predict that it will now be able to proceed with promised economic reforms as Korea prepares to join the Organisation for Economic Co-operation and Development, the association of advanced industrial nations, later this year.

Ms Im Chin-chul, who had been elected as an independent, announced she was joining the ruling New Korea party, which brought its total representation to 150 seats in the 299-member parliament.

The NKP, which won 139 seats in last month's polls, has been recruiting independent and opposition MPs since then to obtain a majority before parliament opens on June 5.

The three opposition parties, however, are threatening to boycott proceedings in protest over alleged pressure on MPs to join the ruling party.

They claim, for example, that the government has threatened to investigate MPs for election violations unless they switch their allegiance to the ruling party. However, many recruits appeared to have been attracted instead by promises of state support for projects in their districts.

● The US paid North Korea $2m yesterday for its help in recovering remains of US soldiers killed in the Korean war, a move which Seoul officials said showed improving ties between the two countries.

Handed over by the United Nations Command stationed in South Korea, it was made as the food crisis in the North deepened and amid uneasy inter-Korean relations following a new northern military incursion last week.

China silent on Lee's offer of negotiations

China yesterday kept silent on Taiwan President Lee Teng-hui's offer to visit the mainland for talks to break the ice with Beijing, an indication that it may be having difficulty framing a response, writes Tony Walker in Beijing.

President Lee's remark, made during his inaugural address in Taipei, was greeted coolly by the island's stock markets, which sent prices tumbling by 4 per cent. The Taiwan dollar also fell slightly yesterday.

China had called for an early resumption of a cross-strait dialogue after Mr Lee's election in March. It had also quietened criticism of Mr Lee who it had said in the election campaign was destined for the dustbin of history.

While Beijing may have been encouraged by Mr Lee's offer of a "journey of peace" to meet mainland leaders it will also have been disappointed by his reference to the need to continue what he described as "pragmatic diplomacy."

"By so doing we will secure for our 21.3m people enough room for existence and development as well as the respect and treatment they deserve in the international arena," Mr Lee said.

Beijing may draw comfort too from Mr Lee's stiff rejoinder to Taiwan's independence movement. "The Republic of China has always been a sovereign state," he said. "Here... it is totally unnecessary or impossible to adopt the so-called course of Taiwan independence." China has warned repeatedly that it could not rule out military action if Taiwan sought independence.

President Lee's swearing-in as Taiwan's first democratically elected leader was accompanied by dragon dances, a 21-gun salutes and fireworks.

Taiwan's President Lee Teng-hui waves to the crowd after his inaugural speech

His offer, delivered at a sports stadium in northern Taiwan, drew loud applause as did his statement that China and Taiwan could unify in the 21st century.

Although he spoke of working to transform Taiwan into an Asian business hub during his four-year term, Mr Lee made no mention of opening direct sea and air links with China, moves long called for by Taiwan's business community and considered crucial to fulfilling the government's regional hub aspirations.

Mr Lee's speech was devoted to domestic affairs. He pledged to promote judicial, educational and economic reforms, but some political analysts were disappointed he devoted scant attention to constitutional reforms and improving the efficiency and integrity of government.

Australia readies itself for airports privatisation again

Bidders may soon be able to start up their engines, writes Nikki Tait

Would-be buyers of Australia's main airports have been sitting on the tarmac for so long that it is a wonder enthusiasm for the prospective A$2bn (US$1.6bn) privatisation has not stalled altogether.

At last, it looks as if bidders may have reason to start their engines again. The new federal government hopes to introduce legislation enabling privatisation to get under way in the present parliamentary session.

Just four weeks remain in which to do so: some time over the next fortnight or, more probably, during the last two weeks of June before parliament rises for its winter break.

At stake are the 22 airports owned by the Federal Aviation Corporation. The previous Labor government mooted selling these to private operators three years ago. It won party backing for the move in 1994 provided the properties were sold on a long-leasehold rather than freehold basis.

Labor had planned to conduct the sale in at least two parts. First on the auction block would have been the four main centres, Sydney, Melbourne, Perth and Brisbane, which accounted for virtually all the FAC's pre-interest profits in 1994-95. The smaller, less profitable airports would have been sold at a later date.

Labor's efforts to get the first tranche of sales off the ground by 1996 hit a block when the coalition, then in opposition, argued that the sale of Sydney (and a proposed new airport in Sydney's west) should not proceed until "noise" issues surrounding both facilities had been resolved.

The coalition used its numbers in the Senate, parliament's upper house, to block the sale plan. Now it is in government and struggling to balance the federal budget, the coalition is keener to restore the sale process. Details of its legislation have yet to be revealed, but it is widely assumed Sydney-Sydney West will still be omitted from the first tranche of sales.

Mr John Sharp, federal transport minister, is on record as saying Sydney stays out of the sale equation "until we are satisfied we've done as much as we can to alleviate the noise problems". Instead, the new sale plan could include the much smaller Adelaide operation alongside Melbourne, Perth and Brisbane.

AUSTRALIAN AIRPORTS' PERFORMANCE
12 months ended June 30 1995 (A$m)

	Revenue	Profit*	Assets
Sydney	192.3	68.7	886.1
Melbourne	107.6	62.3	479.4
Brisbane	73.9	43.4	351.5
Adelaide	23.8	8.4	149.8
Perth	41.3	17.9	186.7

*Profit before interest. Source: Federal Aviation Corporation

Assuming this is correct, the big question is what restrictions will be put on the cross-ownership of the different airports. The original Labor plan proscribed a 15 per cent limit on cross-ownership and management rights between Sydney-Sydney West and its two closest rivals, Brisbane and Melbourne. The idea was to provide for some competition between airport operators.

If Sydney is delayed, this would pose a problem for those potential airport buyers for whom Australia's biggest airport, with its pre-interest profit of A$68.7m in 1994-95 on revenues of almost A$200m, is the big prize. Do they bid for Melbourne or Brisbane, or wait for Sydney?

At least one, the Australia Pacific Airports Corporation (APAC) consortium, formed by Britain's BAA group and two local institutions, the AMP Society and State Super, has made its strategy clear. "We will bid for what's available," says Mr Andrew Jurenko, chief executive. Should Sydney then be auctioned in a few years, APAC will simply lobby to get the cross-ownership restrictions removed at that stage.

Even without Sydney, the competition promises to be testing. Schiphol, the Dutch airport operator, is known to have surveyed the four likely sale candidates.

At least two other formal consortia have been announced. One is made up of the Lend Lease financial services group and Brambles, the transportation company.

The other teams up Westfield, the Australian property group, with the US-owned Airport Group Australia (formerly Lockheed Air Terminals). A number of other US buyers and Singapore's Changi Airport have also been rumoured to be in the running.

Meanwhile, a hint this week from Mr Sharp that the plans to build the Sydney West airport might be scrapped – on the grounds that the cost could be as much as A$5bn once associated infrastructure was added in, and yet environmental problems remain – has added a further twist.

Under a coalition government, the Sydney West project was always going to involve a lengthy and contentious environmental assessment. If that complication is removed, at least one potential airport bidder hoped Sydney could reach the auction block sooner rather than later.

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Mandarin Oriental, Kuala Lumpur (1997)

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INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.1	99.8	85.0
1987	105.6	100.7	103.9	97.5	76.1
1988	109.9	103.2	106.8	99.4	71.0
1989	115.2	108.5	109.9	101.4	74.8
1990	121.5	113.9	113.5	104.0	73.2
1991	126.6	116.3	117.3	107.3	73.9
1992	130.4	117.7	120.1	107.0	74.3
1993	134.3	119.2	123.1	106.7	76.7
1994	137.8	119.9	126.5	105.4	74.5
1995	141.7	122.2	129.5	104.7	69.0
2nd qtr.1995	3.1	2.1	2.3	–0.5	66.7
3rd qtr.1995	2.6	1.6	2.7	–0.7	68.6
4th qtr.1995	2.6	2.2	2.6	–0.5	70.2
1st qtr.1996	2.7	2.2		–2.0	71.9
May 1995	3.2	2.2	2.2	–0.5	66.9
June	3.0	2.1	2.3	–0.6	66.7
July	2.8	1.7	2.8	–0.2	68.9
August	2.6	1.3	2.8	–0.5	68.9
September	2.5	1.8	2.6	–1.4	70.2
October	2.8	2.3	2.6	–0.6	69.6
November	2.6	2.1	2.5	–0.5	70.0
December	2.5	2.3	2.7	–0.4	70.9
January 1996	2.7	2.3	3.5	–1.4	71.8
February	2.6	2.0	2.8	–2.6	72.0
March	2.8	2.4		–2.1	72.0
April	2.9	2.5			

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.9	95.3	101.4	102.8	118.4
1987	101.3	92.5	103.1	100.1	122.8
1988	102.4	92.3	107.8	96.9	130.9
1989	105.1	94.2	114.0	96.9	123.5
1990	108.4	95.7	120.1	99.8	108.1
1991	111.9	96.8	124.3	104.0	114.2
1992	114.0	95.9	125.6	112.9	114.5
1993	115.4	94.3	125.8	118.9	131.6
1994	116.2	92.6	121.5	118.5	137.1
1995	115.9	92.0	120.1	115.9	138.1
2nd qtr.1995	–0.1	–0.5	–7.3	–3.4	151.0
3rd qtr.1995	–0.2	–0.7	3.7	–0.3	136.5
4th qtr.1995	–0.8	–0.7	3.2	–0.9	126.1
1st qtr.1996	–0.3				121.8
May 1995	–0.1	–0.5	–6.1	–3.7	150.3
June	0.0	–0.6	–8.5	–2.0	150.4
July	–0.1	–0.7	6.5	–0.3	144.9
August	–0.4	–0.7	0.4	–0.2	135.9
September	–0.1	–0.6	2.4	–0.4	128.8
October	–0.9	–0.6	2.3	–1.4	126.8
November	–0.9	–0.6	1.2	–0.4	125.4
December	–0.5	–0.8	4.3	–0.8	125.9
January 1996	–0.5	–0.8	–0.1		121.9
February	–0.3	–0.9	2.9		121.9
March	–0.1				121.6
April	0.3				

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.6	103.8	107.5
1987	100.1	95.0	107.9	107.1	110.9
1988	101.4	96.2	112.6	106.9	109.9
1989	104.2	99.3	117.1	108.0	107.5
1990	107.0	101.0	123.5	110.3	109.9
1991	110.9	103.4	131.3	115.0	[illegible]
1992	116.6	104.9	138.2	121.5	110.5
1993	121.7	105.1	145.6	125.9	111.9
1994	125.1	105.7	150.6	118.1	110.3
1995	127.4	107.5			115.5
2nd qtr.1995	1.9	1.9	3.8		116.5
3rd qtr.1995	1.7	1.9	3.3		115.2
4th qtr.1995	1.7	1.3			115.2
1st qtr.1996	1.6	–0.2			112.7
May 1995	1.8	1.9	n.a.		116.2
June	1.9	2.0	n.a.		115.9
July	1.8	2.0	n.a.		116.6
August	1.7	1.8	n.a.		114.6
September	1.8	1.9	n.a.		114.3
October	1.8	1.6	n.a.		115.9
November	1.7	1.3	n.a.		115.2
December	1.8	1.2	n.a.		114.4
January 1996	1.5	0.0	n.a.		113.3
February	1.6	–0.2	n.a.		112.9
March	1.7	–0.3	n.a.		111.9
April	1.5		n.a.		

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	98.0	104.5	101.8	103.4
1987	105.9	98.1	107.8	103.0	104.7
1988	106.8	102.9	111.1	104.1	102.1
1989	112.6	108.2	115.4	105.2	99.6
1990	116.5	107.1	120.6	109.6	102.8
1991	120.2	105.9	125.8	113.4	100.7
1992	123.1	104.3	130.3	115.6	104.6
1993	125.6	101.6	133.7	118.1	107.1
1994	127.7	102.7	136.7		108.6
1995	130.0	109.7	139.5		108.8
2nd qtr.1995	1.8	8.8	2.2		106.4
3rd qtr.1995	1.8	7.8	2.8		106.9
4th qtr.1995	1.9	3.3	2.5		107.7
1st qtr.1996	2.1				107.0
May 1995	1.6	n.a.	n.a.	n.a.	105.3
June	1.6	n.a.	n.a.	n.a.	105.9
July	1.5	n.a.	n.a.	n.a.	106.8
August	1.9	n.a.	n.a.	n.a.	106.9
September	2.0	n.a.	n.a.	n.a.	107.1
October	1.8	n.a.	n.a.	n.a.	107.2
November	1.8	n.a.	n.a.	n.a.	108.2
December	2.1	n.a.	n.a.	n.a.	107.6
January 1996	2.0	n.a.	n.a.	n.a.	107.4
February	2.0	n.a.	n.a.	n.a.	106.8
March	2.3	n.a.	n.a.	n.a.	106.6
April	2.3	n.a.	n.a.	n.a.	

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	108.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.5	102.1
1988	116.5	106.8	118.4	109.7	100.9
1989	124.2	113.1	125.6	112.3	105.1
1990	131.7	117.6	134.7	118.8	111.9
1991	140.3	121.7	147.9	129.5	113.1
1992	147.7	124.0	155.9	134.3	109.8
1993	153.9	128.7	161.6	136.7	95.6
1994	160.0	133.5	167.0	137.9	93.6
1995	168.6	143.9	172.2		90.8
2nd qtr.1995	5.5	8.8	2.3		87.4
3rd qtr.1995	5.7	9.0	3.6		92.4
4th qtr.1995	5.9	7.2	3.9		93.8
1st qtr.1996	5.0	4.8			98.8
May 1995	5.5	9.0	2.3	n.a.	88.6
June	5.6	9.2	2.2	n.a.	89.4
July	5.6	9.2	3.5	n.a.	89.7
August	5.8	9.0	3.4	n.a.	92.8
September	5.8	8.7	3.9	n.a.	94.4
October	5.8	7.9	3.9	n.a.	92.7
November	6.0	7.2	3.9	n.a.	93.6
December	5.8	6.5	3.9	n.a.	95.2
January 1996	5.5	5.9	3.2	n.a.	97.3
February	5.0	4.9		n.a.	98.9
March	4.5	3.6		n.a.	100.0
April	4.5			n.a.	

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	105.1	94.3
1987	107.7	104.9	116.3	107.5	94.5
1988	113.0	108.7	126.2	110.3	102.3
1989	121.8	113.9	137.2	115.1	101.2
1990	133.3	121.0	150.1	122.7	102.4
1991	141.2	127.5	162.4	129.5	105.1
1992	146.4	131.5	173.1	130.5	97.9
1993	148.7	136.7	180.9	130.4	90.3
1994	152.4	140.1	189.5	130.4	91.3
1995	157.6	145.9	197.9	134.6	88.1
2nd qtr.1995	3.4	4.2	4.7	3.0	87.3
3rd qtr.1995	3.7	4.4	4.3	3.5	87.9
4th qtr.1995	3.2	4.4	3.9	4.5	87.3
1st qtr.1996	2.7	3.7	4.3	4.1	87.9
May 1995	3.4	4.2	4.5	3.3	87.3
June	3.5	4.2	4.4	2.8	87.2
July	3.5	4.5	4.9	4.1	87.2
August	3.6	4.4	4.2	3.1	88.0
September	3.9	4.4	3.5	3.3	88.8
October	3.2	4.4	4.0	4.1	87.9
November	3.1	4.4	3.7	4.4	87.1
December	3.2	4.4	4.1	5.0	86.9
January 1996	2.9	3.8	4.0	3.4	87.4
February	2.7	3.7	4.6	4.6	88.1
March	2.7	3.5	4.3	4.2	88.3
April	2.4	3.2			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

NEWS: THE AMERICAS

Wahington defends legal threat to foreign companies

US accuses allies over Cuba

By Gude Jonquières in Paris

The US yesterday defended controversial new legislation which provides for legal action against foreign companies with investments in Cuba, and accused its allies of undermining Washington's stance against hostile and dangerous regimes by continuing to do business with them.

A US official said Washington was ready to work closely with friendly governments, bilaterally and in international forums, on the practical implementation of the Helms-Burton Bill, and would seek to limit the impact on their businesses.

However, he strongly rejected accusations that the legislation would weaken the multilateral trade system, and said other governments had not done enough to support tough US measures aimed at regimes in countries such as Cuba, Iran and Libya.

"It is very hard for us to explain to the Congress and the American people why our allies think they should conduct business as usual with these countries," he said. He complained that US allies had aggravated the threat posed by such regimes by refusing to join the US in condemning them publicly.

The officials' statements were intended to pre-empt a barrage of criticism against the legislation which governments of other industrialised countries are expected to unleash at the annual ministerial meeting of the Organisation for Economic Co-operation and Development today and tomorrow.

Another US official, Mr Jeff Lang, acting deputy trade representative, warned yesterday that arguments about the legislation must not be allowed to dominate the meeting.

"If we are going to spend the next several days in an exercise questioning US commitment to multilateral trade principles, we are not going to get much accomplished here," he said.

The European Union has already asked for World Trade Organisation consultations with the US on the bill – the first step to lodging a possible complaint under WTO trade disputes procedures. Australia and Canada have also denounced the legislation, while Japan has expressed its concern.

The US official said the legislation was not intended to damage the interests of America's allies. Lawyers were already working to ensure that one of its provisions – which would restrict US entry by executives of foreign companies which "trafficked" in confiscated Cuban assets – applied only to companies which invested in new or expanded activities on the island.

Nebot ahead in Ecuador voting

By Raymond Colitt in Quito

The pro-market candidate of the Social Christian party, Mr Jaime Nebot, emerged as expected from Sunday's elections as Ecuador's most likely next president. But his margin of victory over the populist Mr Abdala Bucaram was significantly smaller than suggested by pre-election opinion polls.

As the two began their campaign for the run-off election in July, it was clear that the winner would fall far short of an absolute majority in Congress and would therefore, like his predecessors, face the difficulty of securing support from a fragmented legislature.

According to unofficial counts of over 90 per cent of the votes, Mr Nebot captured nearly 27.4 per cent of the valid votes, followed by Mr Bucaram with 25.5 per cent and the independent Mr Freddy Ehlers with 20.9 per cent.

Mr Nebot's party, which currently has 25 deputies in the 82-seat Congress, looked likely to increase slightly this number. However, Mr Bucaram's Roldosista party could also poll as many as a quarter of the seats in Congress.

Mr Bucaram, a cunning tactician, has more negotiating room to his political right and left to form alliances. In fact, Mr Rodrigo Paz, the fourth-placed candidate of the centre-left Popular Democracy party, which trailed with 5 per cent of the vote, has already indicated that he would be likely to endorse Mr Bucaram.

Yet Mr Paz's support will not automatically translate into votes for Mr Bucaram. Quito's business and finance community, which largely supported Mr Paz's campaign, is more likely to move to the more predictable, pro-business Nebot camp.

The election results have also confirmed two new rising forces in Ecuadorean politics.

One is the ascent of populism, with Mr Bucaram at its head. Another growing force stems from the increasing demands of traditionally marginalised minorities to partake in political decision-making, as evidenced in the surge of Mr Ehlers' grassroots movement backed by native Indians, civil rights groups and the leftist Izquierda Democratica party.

Despite Mr Ehlers' candidacy and those of other independents running as outsiders on anti-establishment platforms, voter apathy and absenteeism remain high.

Uncertainty after Dominican poll

By Canute James in Kingston

Uncertainty following Thursday's inconclusive elections in the Dominican Republic is expected to halt investment decisions for several months and is already slowing commercial activity, according to business leaders.

"Elections in the Dominican Republic are traditionally traumatic for the economy," said Mr Fernando González Nicolás, president of the Caribbean Commercial Consortium, which promotes trade with the Caribbean. "Many business activities have come to a stop, and nothing much will happen until there is a determination as to who will be the next president."

A successor to President Joaquín Balaguer is scheduled to take office in mid-August.

Preliminary results gave Mr José Francisco Peña Gómez, the candidate of the social democrat Revolutionary party, 45 per cent of the votes, ahead of Mr Leonel Fernández of the centrist Liberation party with 38 per cent. Mr Jacinto Peynado of the incumbent conservative Reformist party received 17 per cent. A winner needs at least 50 per cent of the votes, and Mr Peña Gómez and Mr Fernández will contest a run-off at the end of June.

Foreign observers said there was no evidence of organised fraud, but there were cases of logistical and administrative problems in some provinces. These would not have affected the outcome of the election, they said.

However, political tension has been generated by a clash between supporters of the Revolutionary and Liberation parties in Santiago, the second largest city, in which two people were killed.

The outcome of the run-off will be determined largely by the votes that went to Mr Peynado. The Reformist party is split on who it should support, following what Mr Peynado's aides described as the "ultimate humiliation" of the candidate by President Balaguer, the party's founder, who has dominated the country's politics for the past 30 years. He did not vote on Thursday, and there are reports that he had suggested to officials that they should vote for Mr Fernández.

However, supporters of Mr Peynado are upset at Mr Balaguer's treatment of the candidate, and will vote instead for Mr Peña Gómez, say Reformist party functionaries.

A hot property goes cold

Mexican resorts lie uncompleted as property developers lick their wounds after the peso crisis, writes Leslie Crawford

Time-share hawkers on Mexico's Pacific coast will stop at nothing to bait unsuspecting tourists. Faced with a slump in property sales – a casualty of Mexico's economic crisis – they prowl the beaches offering free jeep rentals, deep-sea fishing cruises and life-long supplies of tequila to anyone willing to attend their two-hour sales presentations.

At the Embarcadero Pacifico Condominium in Puerto Vallarta, salesmen have upped the stakes by offering "A Free Vacation Anywhere" to those who sign up for their "pre-construction sale".

For a mere $55,000, you can buy a broom-cupboard with car park views in Marina Vallarta, the resort's premier development. Membership of Vallarta's golf club, unfortunately sited next to the town's rubbish tip, will set you back $10,000 more. Parking your yacht in the marina will cost you considerably more.

A frenzy of unregulated construction, fed by over-ambitious projections of the demand for vacation properties, has produced a glut of half-finished holiday flats, rusted hotel foundations and empty shopping malls along Mexico's Pacific coast. And despite the slump in real estate values across the country, property developers on the coast have refused to lower their prices in the hope that US tourists will step into the market abandoned by Mexico's impoverished middle classes.

The tourist industry should have been a big winner from the devaluation of the peso, but Mexico's big property developers, which control a large share of the tourism business, are in trouble.

Sidek, the steel and tourism conglomerate, is in the biggest trouble of all.

Before the devaluation in December 1994, the company became heavily indebted in dollars to build a string of marinas, golf courses, mammoth hotels and other "mega-projects" at Mexico's top tourist destinations. Sidek's promotional material, issued in the heydays of the strong peso and recent membership of the North American Free Trade Agreement, boasted that its subsidiary Situr was the "leading tourism and real estate developer in Mexico" and "a pioneer in the development of mega-projects". It owns 71 hotels in Mexico, more than 23,000 acres of land, and a tourist resort in Costa Rica.

Last year's recession, coupled with a collapse in property prices, dashed Sidek's aggressive expansion plans. In February this year, the company defaulted on its $2.1bn debt.

Sidek is now seeking the approval of creditors, including foreigners who hold $700m of its debt, for a complicated restructuring plan which includes the sale of $1bn worth of assets. It is also having to fend off lawsuits from angry hedge funds and bond-holders in New York, who believe foreigners have been given a bad deal in the restructuring plan.

Acapulco, on Mexico's Pacific coast: vacationers lie in the sun, but there are shadows over property developers

At Sidek's headquarters in Guadalajara, which towers over the steel mill the Martinez Guitron family built in 1967, Mr Jorge Martinez Guitron, the company chairman, puts a brave face on the virtual liquidation of his 30-year-old company.

The devaluation, he says, was a cruel and unexpected blow. "Our debtors stopped paying us, so we in turn were unable to service our obligations." And with few Mexicans able to afford holiday homes since the peso's collapse, Sidek's revenues from condominium sales, once the company's biggest money spinner, have evaporated.

Mr Martinez Guitron is fighting to save his profitable steel business from the clutches of bank bailiffs. "We will have to sell all our marinas, the golf courses, and all but 10 of our hotels," the chairman says. But in the present depressed state of the real estate market in Mexico, he cannot guarantee that the auction of Sidek's assets will raise the necessary $1bn to appease creditors.

Sidek's difficulties have also taught foreign investors a salutary lesson in the pitfalls of doing business in Mexico. They have discovered, belatedly, that the cosy relationship between Mexican banks and big corporations works to the detriment of outsiders in times of crisis.

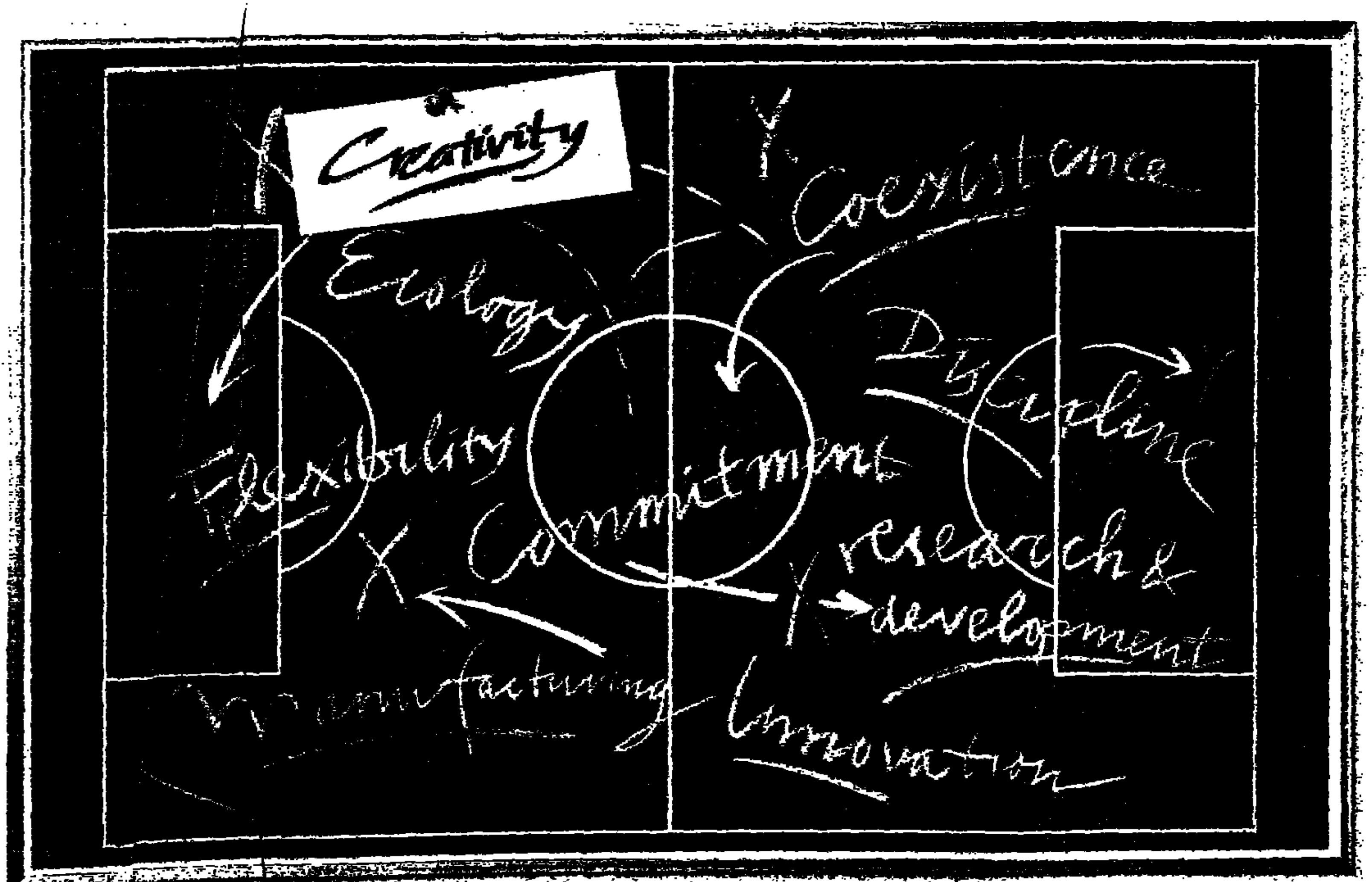
Sidek's controversial restructuring plan is being led by Banamex, Mexico's largest bank, which is Sidek's largest creditor as well as a big shareholder in the company. Mr Martinez Guitron, for his part, is a shareholder in Banamex and a member of the bank's board of directors. He says he saw no conflict of interest in the cross-holdings, even when Banamex was selling hotels to Sidek and arranging finance for the deals. "All loans had to be approved by the full board of directors," he says in Banamex's defence.

Other investors feel less charitable about a business partnership which allowed Sidek's leverage to rise beyond what is considered healthy for a publicly listed company. They are also taking a closer look at Sidek's accounting practices, which frequently overstated revenues by booking the entire sale value of condominiums as soon as a down payment had been received.

When the real extent of Sidek's debt problems emerged last year, the company's shares, which are traded in Mexico City and New York, collapsed.

"The fine print in Sidek's annual reports was easy to overlook when the company's shares were booming and Mexico's economic outlook was rosy," says one sorry foreign fund manager. "In retrospect, we should have been more diligent. We have no one but ourselves to blame."

OUR STRATEGY



ACHIEVING GOALS TAKES A SPECIAL MIX OF SKILLS. PASSION AND PLANNING. INDIVIDUALISM WITHIN TEAMWORK. NATURAL FLAIR PERFECTED BY PRACTICE. IT'S ALL PART OF OUR OVERALL APPROACH. TO HELP MAKE MAJOR SPORTING EVENTS LIKE EURO 96 RUN SMOOTHER. YOUR OFFICE TOO. SO ECOLOGY AND EFFICIENCY GO HAND IN HAND. PRODUCTIVITY LEADS TO MORE LEISURE TIME. PLEASURE AND PROFIT SHARE EQUAL RIGHTS. LIFE'S A GAME. AND EVERYONE CAN BE A WINNER. WITH THE RIGHT STRATEGY. OURS. AND YOURS.

SO, TOGETHER, LET'S CARE.

Canon
A PLEASURE TO WORK WITH

Telecoms entrant aims for the middle

By Alan Cane in London

RSL Communications, founded two years ago to supply international telecommunications services to the middle tier of business customers, opened for business in Europe yesterday.

The US-based operator announced services in the UK, Sweden and Finland as well as France and Germany where it has purchased the international voice service and sales operations of Sprint Corporation, the third largest US international carrier.

Sprint was obliged to put its voice communications services in France and Germany up for sale as a condition of being allowed to form Global One, a telecoms supercarrier, with France Télécom and Deutsche Telekom. The price RSLCom paid has not been disclosed, but it is thought that Sprint's revenues from voice services in the two countries amounted to only a few million dollars.

RSLCom is chaired by Mr Ronald S. Lauder, a former US ambassador and an heir to the Estee Lauder cosmetics fortune. Mr Lauder is chairman of Central European Media Enterprises, a pioneer of private commercial television in central and east Europe.

Mr Lauder said yesterday that both the television and telecoms initiative were a consequence of deregulation. He said RSLCom planned to build a fully integrated global telecoms company through a combination of acquisition and start-up. In the UK, for example, where RSLCom started from scratch,the company had secured an ISR (international simple resale) licence and had 50 customers in eight months .

The company's strategy is to aim at middle-sized companies which may be too small to attract the attentions of global super-carriers such as Global One or British Telecommunication's Concert. It could offer tariffs which would typically enable customers to save between 25 per cent and 40 per cent on, for example, BT and Mercury's prices because of lower overheads.

Aero-engine components company has hopes for planned 100-seat aircraft

Rolls-Royce in China joint venture

By Tony Walker in Beijing

Rolls-Royce and Aviation Industries of China (Avic) yesterday announced the formation of a joint aero-engine company to manufacture components for Rolls-Royce jet engines as a step towards building complete units. Investment in the new company would total $30m.

Rolls-Royce officials say the venture would receive a significant boost if China goes ahead with plans to build 100-seater aircraft in partnership with overseas companies, including British Aerospace as part of a European consortium.

China has said a decision is close on the 100-seater project. The European consortium, in which Aérospatiale of France is expected to play a prominent role, is the leading contender in competition with Boeing.

The venture between Rolls-Royce and the Xian Aero Engine Company will make several items, including turbine blades for various Rolls-Royce engines such as the BR715, which is being proposed for the new 100-seater aircraft.

Michael Heseltine, UK deputy PM, at an aerospace industry forum in Beijing yesterday Reuter

The joint venture agreement was announced by Mr Zhu Yuli, president of Avic, and Mr Gordon Gurr, president of Rolls-Royce China, in the presence of Mr Michael Heseltine, Britain's deputy prime minister, who is on a week-long selling mission to China.

Mr Gurr said Rolls-Royce had a "vision that one day Avic and Rolls-Royce will design and build a complete new engine together". He said the new venture, which begins operations in 1998, would gradually extend its activities to include a wide range of aero engine parts.

"We have a plan that by the year 2000 China will be responsible for complete modules," said Mr Gurr. "Once this capability is in place, Rolls-Royce will help the Chinese facilities to build and test complete engines."

Rolls-Royce has a long relationship with the Xian Aero Engine Corporation, located in Shaanxi province, south-west of Beijing. XAE has been manufacturing components for Rolls-Royce engines since the mid-1970s.

Mr Heseltine's mission to sell "UK Plc" to China is taking place in the shadow of a trade row between Beijing and Washington over intellectual property rights abuses. About 270 UK businessmen, including representatives of leading companies, are accompanying Mr Heseltine to Beijing and Shanghai.

British officials in Beijing said they did not expect present difficulties in Sino-US relations to affect the Heseltine mission, although one noted there were areas such as aerospace where UK companies were engaged in intense competition with the US.

Mr Heseltine's main focus will be on pushing UK interests in aerospace, the power sector and telecommunications.

GEC-Alsthom is hoping Mr Heseltine's visit will boost its prospects. It is bidding for a large power sector project in Zhejiang province, south of Shanghai.

■ Thyssen Aufzüge, a subsidiary of Germany's Thyssen steel group, yesterday announced a $25m joint venture with Qinghe Group Corporation to manufacture elevators for the fast growing Chinese elevator market, writes Tony Walker.

The venture, located in Shandong province, south-east of Beijing, will be called Shandong Thyssen Elevator. Thyssen Aufzüge will be a 51 per cent shareholder. This will be the German company's second venture in China. It set up Guangdong Thyssen Elevator Company in southern China last year. With its two ventures, Thyssen aims to capture 10 per cent of the Chinese lift market by 2000 against competition from local producers and Otis, Schindler and Mitsubishi.

Japan plea for supercomputer sale to US

By Michiyo Nakamoto in Tokyo

Japanese government officials yesterday expressed concern over possible moves in the US to block the first Japanese contract to supply a supercomputer to a US government-affiliated organisation.

The Japanese authorities called on the US to exercise fairness and transparency in its government procurement practices.

Mr Tomio Tsutsumi, vice-minister of international trade and industry, said the Japanese government's procurement of foreign supercomputers had steadily increased as a result of trade negotiations. "We hope that the US also adopts fair and transparent procurement procedures," he said.

Mr Tsutsumi's comments followed mounting pressure in the US to prevent the National Science Foundation (NSF) from awarding NEC, the Japanese computer maker, a contract to supply a supercomputer to the National Centre for Atmospheric Research.

If NEC wins the contract, it would mark a breakthrough for the Japanese company in a market that has long been dominated by US makers.

But NEC's success in securing the NSF contract has triggered accusations of dumping from its main US competitor, Cray Research.

A representative of Cray in Japan noted that in past bids NEC had offered products 10 per cent cheaper than a comparable supercomputer made by Cray. "We have always wondered how they could sell at the price they do and still make profits," he said.

NEC said it had been very careful to ensure that its pricing did not constitute dumping. The supercomputer that won the NSF's interest, the SX-4, is outstanding for its speed and ability to add on advanced features, the company said.

The difficulty NEC has faced in winning the order from the NSF underlines the highly politicised nature of supercomputer procurement by government bodies.

In 1990, after US criticism that the Japanese government's failure to procure US-made supercomputers constituted unfair treatment, Japan produced guidelines on government procurement aimed at making the rules fair and transparent.

Since then, the Japanese government has consistently purchased a number of foreign-made supercomputers each year, mostly from the US, according to the foreign ministry. In fiscal 1994, five out of 12 supercomputers procured by government organisations were made by foreign companies, while last year two out of 11 were foreign-made.

The US government, on the other hand, has never bought a Japanese supercomputer.

In the past, Japanese makers were not even allowed to bid for government contracts on the grounds that using a foreign supercomputer would pose a threat to defence interests, according to one Japanese computer maker.

WORLD TRADE NEWS DIGEST

Philips ponders UK chip plant

Philips, the Dutch electronics group, is considering the UK as a site for a possible $1bn-plus semiconductor plant. It is also examining possible locations in other European countries, the US and east Asia. Philips confirmed yesterday it was planning to increase its output of semiconductors. But it said no decision had been taken about where the plant might be built.

The group confirmed it was studying a British greenfield site at Peddimore, north-east of Birmingham. But it said that it was also looking at other sites in the UK and elsewhere. Philips has a UK semiconductors plant near Stockport, in Lancashire, where it has recently expanded production with a £100 ($152m) investment. *Stefan Wagstyl, London*

Korean chipmakers forecast sales dip, Page 20

WTO upholds US petrol ruling

The World Trade Organisation yesterday adopted the first judgment by its appellate body, upholding a panel ruling against the US on regulations for cleaner petrol. The panel had backed a complaint by Venezuela and Brazil that the US regulations imposed stricter requirements on imported gasoline than on domestically-produced petrol. Washington must respond within a month on its plans for implementing the judgment. Trade officials said this would be the decisive test for the new procedures, introduced when the WTO was created in January 1995. The rules require countries to respond within "a reasonable period of time". The offending US regulations are due to lapse in 1998.

Also yesterday, the WTO's dispute settlement body set up a panel at Washington's request to examine the European Union's ban on imports of hormone-treated beef. The EU has counter-complained against US punitive tariffs on about $100m of European exports, in force since the ban went into effect in 1988. *Frances Williams, Geneva*

Co-generation plant for NSW

A consortium of France's Air Liquide, Itochu of Japan and Energy Australia yesterday announced plans to build a A$275m (US$220m) co-generation power facility near Botany Bay. It would be the largest plant of this kind in Australia – producing both electricity and thermal energy from a single fuel source.

The consortium plans to develop the plant with ICI of the UK, which has a large plastics and chemicals facility at Botany. The natural gas-fired plant would supply ICI and other local industry with steam and electricity, selling surplus power to the New South Wales electricity network.

According to ICI, the power plant would produce around 300 tonnes of steam an hour and have electricity output of 350MW. The NSW government said electricity from the plant would be able to supply around 350,000 domestic customers or about 5 per cent of the state's electricity demand. *Nikki Tait, Sydney*

Indian GSM contract awarded

Lucent Technologies, the former systems and technology business of AT&T, has been awarded a $100m contract to build and maintain global systems for mobiles (GSM) cellular telephone networks in three Indian states by Escotel, a joint venture between the Indian Escorts group and First Pacific of Hong Kong. Mr Rajan Nanda, chairman of Escotel Mobile Communications, said cellular services should begin within six months in the states, Kerala in the south and Haryana and Uttar Pradesh (West) in the north. *Mark Nicholson, New Delhi*

IMPORTANT NOTICE

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Law 24,587 (the "Law"), published in Argentina in the Official Gazette on November 22, 1995 (*Ley de Nominatividad de los Títulos Valores Privados*), makes it mandatory, as a matter of Argentine public policy, for any security issued by an Argentine private entity (including the Bearer Securities issued pursuant to the Fiscal Agency Agreement) to be converted to a non-endorsable, registered form. The Law also allows book-entry securities (*títulos escriturales*). In furtherance of the Law, the Federal Executive Power has issued Decree 259/96 (the "Decree"), published in the Official Gazette, on March 20, 1996 (the Law and the Decree, "the Regulations"). Under Article 13 of the Decrees, debt securities that have been registered with and authorized by the Argentine Comision Nacional de Valores ("CNV") under its public offering regulations (such as the Securities) are deemed to be in compliance with the Regulations if and when represented under global or partial certificates deposited under local or foreign clearing systems approved by the CNV (which include the *Caja de Valores S.A.* (the "Caja"), the Argentine clearing systems and which are expected to include Euroclear and Cedel Bank). The Regulations require that all outstanding bearer securities of private issuers (including the Bearer Securities) be converted or exchanged for non-endorsable, registered securities, or partial or global certificates as aforesaid, *ON OR BEFORE MAY 22, 1996.*

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COMPANIES & MARKETS
Tuesday May 21 1996

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LAWYERS FOR BUSINESS

IN BRIEF

SBC in investment and retail split

Swiss Bank Corporation is planning a reorganisation that would split its lucrative international private banking and asset management services from its domestic retail banking division. Page 18

Wella chief puts profits slide behind him

The chairman of Wella, the troubled German haircare group, promised that last year's 48 per cent profits slide would not be repeated. First-quarter earnings were above the previous year's and sales had improved 9.2 per cent. April had gone well, Mr Jürg von Craushaar told the FT. "Last year was a little internal accident," he said. Page 18

GE Capital in $490m computer service buy

GE Capital, the financial services arm of General Electric, announced another step into the computer services business with the $490m acquisition of AmeriData Technologies. Page 19

Nikon triples despite yen's strength

Strong demand for semiconductor equipment helped Nikon, the Japanese camera and precision equipment maker, to more than triple non-consolidated recurring profits to Y18.8bn ($176m) for the year to March in spite of a sharp rise in the yen's value in the first six months. Page 20; South Korean chipmakers scale down sales forecasts, Page 20

Murdoch in move to buy Ansett NZ

News Ltd, the Australian arm of Mr Rupert Murdoch's News Corporation group, formally lodged an application to acquire Ansett New Zealand with *New Zealand's commerce commission, the country's* competition watchdog. Page 20

Cheung Kong to spin off some assets

Shares in Cheung Kong rose after Mr Li Ka-shing's property and investment flagship confirmed plans to spin-off some of its Chinese and Hong Kong infrastructure assets and seek a separate listing for them on the Hong Kong stock market. Page 21

Matsushita and Toyota in car battery link

Toyota, Japan's largest car maker, and Matsushita, the country's biggest electronics manufacturer, have teamed up to develop batteries for electric cars. Page 21

British Biotech shares climb 6%

Shares in British Biotech, the UK's biggest biotechnology company, rose 6 per cent as the London stock market took a bullish view of an announcement today on progress in trials of its cancer drug *marimastat*. Page 22

Railtrack shares make strong debut

Shares in Railtrack leapt sharply on their first day of trading in London – giving the average private shareholder an immediate profit of more than £100 ($152) – as investors shrugged off renewed threats from the Labour party to curb their returns and impose tighter regulations on the privatised railway. Page 24

BA tops airline profits league

By Michael Skapinker, Aerospace Correspondent

British Airways has become the world's most profitable airline, its pre-tax profits in the year to March 31 of £585m ($889m) easily surpassing the $769m earned by Singapore Airlines, the previous profit leader.

BA said yesterday its high earnings, which were 29.4 per cent up on the previous year, meant its 55,000 employees would receive bonuses totalling £94m, representing just under four weeks' *basic* pay.

But the union representing the group's pilots responded by calling a strike ballot on BA's latest *pay offer. The pilots, who typi*cally earn about £70,000 a year in pay and allowances, will receive profit sharing bonuses of up to £6,000 each.

BA directors would not comment on growing industry speculation that it is about to announce a strategic tie-up with American Airlines.

"We remain alert to potential opportunities in areas where we are not sufficiently represented," Sir Colin Marshall, chairman, *said.*

Such a move would be a response to the newly strengthened alliance between United Airlines of the US and Lufthansa of Germany.

The US government has indicated that it will not approve such an alliance between BA and American unless the UK offers US airlines greater access to London's Heathrow airport.

Negotiations between the two countries broke down last year *when the US rejected a UK offer* of greater access to Heathrow as inadequate.

Negotiators from the two sides met in Washington *yesterday* in what the UK described as "informal contacts to try to see if we can get our aviation relationship back on track".

Meanwhile, the British Airline Pilots' Association said it had called its strike ballot because of dissatisfaction with the group's two-year pay offer.

But Mr Robert Ayling, BA's chief executive, said: "I'm sure individual pilots will consider the offer a reasonable one and the announcement of a ballot today will become history in the not too distant future."

Lex, Page 20; Results Page 22

Rin Tin Tin and Lassie never had it this good

Alice Rawsthorn looks at the rising cost of film making in Hollywood

While Europe's film executives head home from Cannes after last night's *Palme D'Or* ceremony, their US counterparts will jet back to Hollywood just in time for the start of the summer movie season.

Summer 1996 has begun well. *Twister*, an action film directed by Jan Bont, who made the 1994 hit, *Speed*, has taken $100m in its first ten days. Other much publicised debuts are *Mission Impossible*, starring Tom Cruise, opening tomorrow and *The Cable Guy* with Jim Carrey, out next month.

But behind the star-studded schedules and bumper box office takings, Tinsel Town is trapped in vicious cycle of escalating costs described by Mr Jack Valenti, president of the Motion Picture Association of America (MPAA), as a "huge, hairy beast slouching toward our future".

Costs have spiralled in almost every area of film production including star salaries, studio overheads and marketing. A couple of recent headlines from Variety, the industry magazine, paint a revealing picture. *"Hollywood Going Nuts Over Studio Gluts"*. *"Will Thinking Big Sink Hollywood?"* and *"Hollywood Hopping Over High Price Of Hype"*.

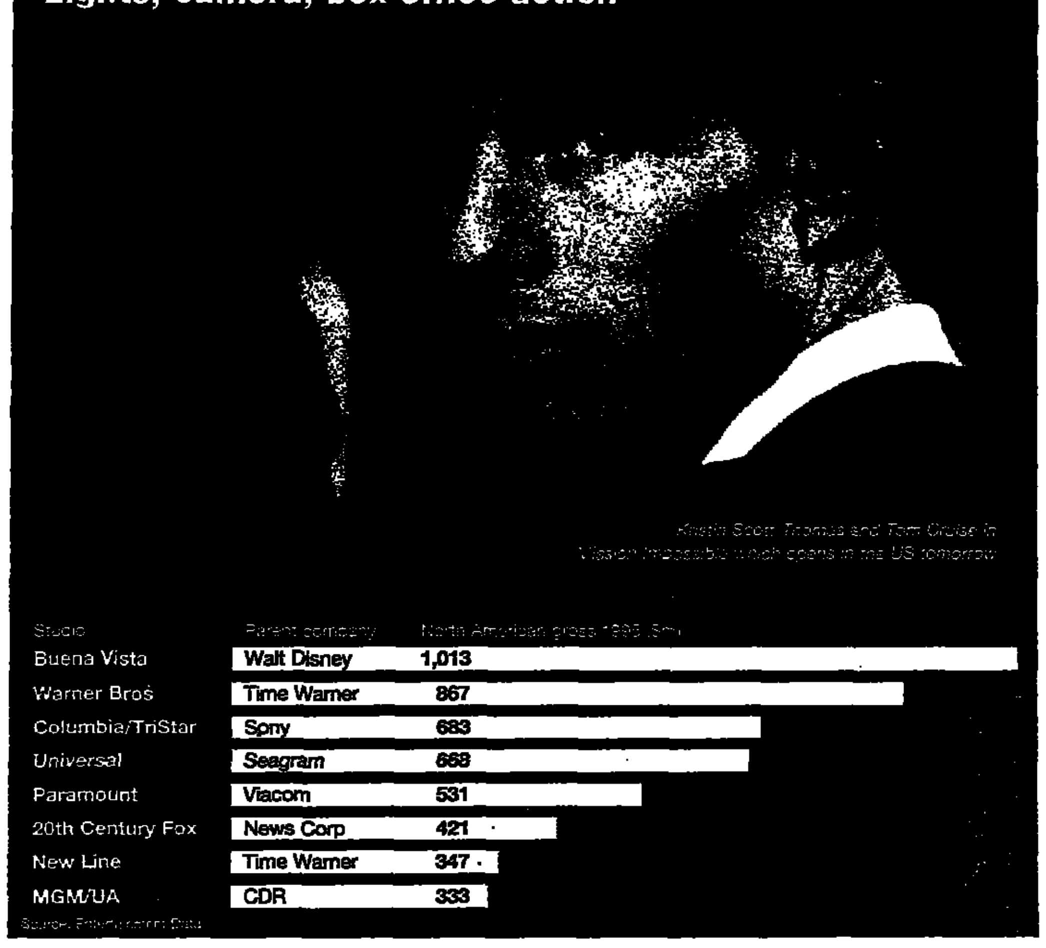
The crux of the matter is that the US studios are making too many movies, too extravagantly. One factor is that new investors have moved into the industry, including Sony, the Japanese electronics group which acquired Columbia/Tristar in 1990, to Seagram, the Canadian drinks company that took control of Universal last year. They have poured cash into their acquisitions. Mr Ron Meyer, the former talent agent now in charge of Universal, started by clinching a $20m three film deal with Sylvester Stallone.

Another issue is that the market for movies has expanded significantly. New areas of Asia and Eastern Europe have opened up to Hollywood output, and there are more vehicles to sell films to after their theatrical release in the cable, satellite and video sectors. Last year was a landmark for Hollywood as the US studios made roughly the same amount of money (around $2.5bn) outside North America, as they did within it. Similarly their video income at home exceeded box office takings for the first time.

The promise of a larger market has prompted the studios to churn out more films. MPAA members made 235 in 1995, against 194 in 1994. With more movies to cast, they have had to fight for talent, thereby inflating star salaries. Hollywood's fury over Sylvester Stallone's $20m three film deal, paled beside the storm when Sony paid the same sum to Jim Carrey, a relative newcomer, for *The Cable Guy*. The latest beneficiary of Tinsel Town's largesse is Barkley, a Jack Russell dog, signed to a two picture deal by MGM/UA.

The studio's own overheads have soared as executives such as Mr Meyer and Mr Mike Ovitz, his former colleague who is now president of Walt Disney, have clinched seven figure salaries. Mr Ovitz reportedly has eight personal assistants. The number of people employed by the entertainment industry in Los Angeles County rose from 53,200 in 1988 to 111,600 last year.

Lights, camera, box office action



At the same time the plethora of new films has intensified the competition for screens to show them, triggering a steep increase in promotional expenditure. Variety estimates media spending rose 39 per cent to $1.9bn in 1995. Disney reportedly spent $21m promoting *Nixon*, which only took $14m in North America.

The studios have been taking steps to curb the increase in costs. Many are shooting films in Europe, where labour costs are lower than in Hollywood. Warner has joined forces with MAI, the UK media group, to build a new production lot in Middlesex, and Disney is said to be considering opening a UK lot.

Similarly studios are offsetting their promotional costs by liaising with companies from other industries, which agree to publicise a film in their advertising in return for merchandising and product placement rights. MGM/UA raised $50m of the $70m promotional budget for *GoldenEye*, the latest James Bond movie, through such deals, including $15m from BMW cars.

PepsiCo, the US food and drink group, last week signed an agreement worth up to $2bn in terms of product sales and advertising with LucasFilms, the company behind the *Star Wars* series. Disney is believed to be discussing a similar $2bn agreement with the McDonald's fast food chain.

However the flow of expensive films shows no sign of stopping. Even after expensive flops such as *Scarlet Letter* and *Cutthroat Island*, at least seven films due for release next year are expected to cost around $100m.

Despite spiralling costs and dwindling profitability, new investors are still eager to enter the industry. The auction of MGM/UA has already attracted bids from PolyGram, the Dutch music group; Morgan Creek, a US film company; and a consortium composed of the New Regency film concern, Warner and Samsung, the South Korean electronics group.

These bidders are now beginning due diligence to decide whether to proceed with their offers for the studio and, of course, for Barkley, the world's highest paid dog.

Ansaldo Trasporti and CS in signals link

By Andrew Hill in Milan

Ansaldo Trasporti of Italy and Compagnie des Signaux (CS) of France are to group their railway signalling activities into one company, creating the biggest manufacturer in the sector after Siemens of Germany.

Finmeccanica, the Italian state-controlled engineering group which controls Ansaldo Trasporti, said the new grouping would have a turnover of more than $450m annually, and its shares would be listed on the Nasdaq exchange in New York.

According to Finmeccanica, the enlarged group will have a 14 per cent share of the $3.5bn world signalling equipment market, ahead of Alcatel of France and BTR of the UK.

It is not yet clear whether the signalling activities will be absorbed into a new holding company or whether Union Switch & Signal, Ansaldo Trasporti's quoted US signalling subsidiary, will be the vehicle for the operation.

Ansaldo Trasporti is to acquire 51 per cent of Compagnie des Signaux Transport (CST), the CS signalling subsidiary in which it already has a 49 per cent stake. The 51 per cent holding is valued at about FFr400m ($77.3m). CS will have a minority stake in the enlarged signalling company. Ansaldo Trasporti, shares in which are quoted in Milan, said the operation would not increase its net debt.

As well as Union Switch & Signal and its Australian subsidiary, Ansaldo Trasporti will contribute its Swedish and Irish operations. CS, which is quoted in Paris, will probably own about 10 per cent of the enlarged group, 20 per cent will be floated and the rest will belong to Ansaldo Trasporti. Lehman Brothers of the US advised Ansaldo Trasporti on the deal

Ansaldo Trasporti said yesterday that the operation would give it the capacity to operate worldwide using all the main safety and technical standards for signalling equipment. It would also be able to cut its research and development and marketing costs.

Union Switch & Signal, CST and Ansaldo Trasporti have occasionally competed with one another for contracts in Asia and the middle east, although earlier this year, Union Switch & Signal and Ansaldo Trasporti won an order from China for a signalling and automation system on the Beijing-Kowloon line.

IBM unveils plan to lead 'network computer' field

By Louise Kehoe in San Francisco

International Business Machines aims to become one of the first and largest producers of "network computers", a new type of *low-cost device that can be used* to surf the Internet or link to corporate networks.

As a consortium of more than 50 *high technology companies* met in San Francisco yesterday to announce technical specifications for network computers, IBM *said it was planning* to introduce a broad range of NC products and services later this year.

The company has six NC projects under way, with large customers in the automotive, airline and banking industries, said Mr John Thompson, IBM senior vice-president. The products, costing $500-$1,000, will be designed for specific industry applications.

The NC industry consortium is led by Oracle, the largest database software company, and *includes Sun Microsystems*, Apple Computer and Netscape Communications, and a number of other manufacturers, component suppliers and distributors.

IBM yesterday demonstrated several prototype NCs. The company also plans to provide components and software to other manufacturers.

"The devices are just the tip of the iceberg," said Mr Phil Hester, general manager of IBM's integrated solutions division. "There is an entire set of technologies and services behind this that are at least as, if not more, important as the device itself."

IBM sees the NC as a means of lowering the "total cost of ownership" of a desktop computer, rather than just the purchase price of the machine itself, said *Mr Hester. Administration*, upgrades, software and security for PCs linked to corporate networks cost about $12,000 a year – many times the cost of the computer itself – he said. "NCs will be very attractive to businesses because they can lower these costs by as much as 25 per cent," he added.

"We think NCs could take off like wildfire," said Mr Marc Andreessen, co-founder of Netscape Communications. "This will be a major driver of Internet innovation in the future."

Cost cuts help Sumitomo rise 66% in slack market

By William Dawkins in Tokyo

Sumitomo Chemical, Japan's largest producer of fine chemicals and agrochemicals, yesterday said it had substantially increased annual profits in a *stagnant market* as a result of cost-cutting.

Consolidated recurring profits – before tax and extraordinary items – rose 66 per cent to Y29.6bn ($278.16m) in the year to March, from Y17.8bn in the 12 months to December 1994, the previous accounting period. Group sales fell by 2.7 per cent to Y951.9bn over the same period.

Last year, Sumitomo switched the end of its accounting period from December to March to fall into line with most other Japanese quoted companies.

Like many Japanese companies, *Sumitomo sought to avoid* downsizing during the recession. Instead, it cut costs by Y18bn in the past year through a combination of reduced capital *spending*, higher dependence on cheap imported materials and streamlined distribution.

By division, sales of basic chemicals and petrochemicals – which between them make up nearly three quarters of sales – grew 7 per cent. But sales of speciality chemicals, one fifth of the total, declined by 11 per cent. Other products, including agricultural chemicals, recorded a 3.4 per cent decline in sales. Foreign sales grew by 20.7 per cent, helped by increased demand in east Asia for polyolefins, used for making artificial fibres.

Group profits were also helped by a substantial cut in interest payments, down by Y2.7bn to Y25.1bn, as a result of falling Japanese interest rates and repayment of debt.

At parent company level, excluding contributions from mainly foreign subsidiaries and affiliates, recurring profits soared from Y1.9bn to Y21.29bn on sales up 3.5 per cent to Y579.8bn. Sumitomo expects a less dramatic improvement in the current year to next March, for which it is forecasting a 27 per cent rise in unconsolidated recurring profits to Y27bn on sales up by less than 1 per cent to Y585bn.

"Good order is the foundation of all things."
Edmund Burke (1729-1797).

Hambros advised the UK Government on the first major step in the privatisation of British Rail – the creation and sale of the three passenger rolling stock leasing companies, to realise total proceeds of £2.62 billion.

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Rises			
Beiersdorf	1375	+	45
Karstadt	589.0	+	15.8
Wella	810.0	+	12.5
Falls			
Berliner Kraft	417	–	8
Henkel	647.5	–	8.5
Sud Chemie	655	–	13
NEW YORK ($)			
Rises			
Excel Comm	38¾	+	4¾
GC Companies	35¾	+	2¾
Nokia	39⅛	+	2⅝
Falls			
Alum Co of Am	63⅞	–	2
Times Mirror	53¾	–	2
Vishay Intl	30	–	1½
LONDON (Pence)			
Rises			
Chemoscience	520	+	42
City Casuals	179	+	14
Falls			
Abacus Polar	235	–	22
Cons. Phipps	30	–	12
Chrysalis Props	79	–	5
Pifco	106	–	20
PARIS (FFr)			
Rises			
Intertechnique	614	+	19
Synthelabo	442	+	14
Unibail	516	+	17
Falls			
Havas	586	–	19
Immobanque	727	–	23
Seb SA	847	–	11
TOKYO (Yen)			
Rises			
Chiba Bank	934	+	25
Sanyo Elec	680	+	16
Falls			
Gakken	817	–	28
Inax	1070	–	20
Mitsui Petro	862	–	27
Yamaha Corp	1830	–	60
HONG KONG (HK$)			
Rises			
Hasco	22.35	+	0.95
HK Bldg & Land	28.75	+	2.05
SCMP	5.90	+	0.30
Falls			
Grand Orient	2.10	–	0.10
Hualing Hld	0.92	–	0.08
Melco Intl	2.30	–	0.15
BANGKOK (Baht)			
Rises			
Bata Shoe	44.75	+	4.00
Kuang Pei San	33.00	+	3.00
S N Garment	30.50	+	2.75
Falls			
Gen. Eng.	42.25	–	4.50
Thai-As Glass	44.00	–	4.00
Tisco Spread	71.00	–	5.00

New York prices at 12.30. Toronto closed.

SBC to split investment and retail roles

By George Graham, Banking Correspondent

Swiss Bank Corporation is planning a reorganisation that would split its lucrative international private banking and asset management services from its domestic retail banking division.

Directors meeting today are expected to approve a plan agreed yesterday by SBC's executive management board to set up private asset management as one of four main operating divisions, alongside domestic banking, institutional fund management and investment banking.

SBC has taken the lead among the large Swiss banks in actively marketing its international private banking operations, and in expanding through acquisitions such as that of Standard Chartered's private banking division and the takeover of a portfolio of clients from Chase Manhattan Private Bank.

Although it does not publish figures for funds under management, SBC is estimated to run at least SFr250bn ($199.8bn) of clients' money.

Banking industry consultants say Swiss banks have in recent years taken steps to improve the segmentation of their customer bases, so that their wealthiest and most profitable clients do not end up subsidising high levels of service for less profitable customers.

Many of SBC's asset management customers are international, but the private investor and asset management business is now anomalously grouped in the same structure as domestic retail banking.

With the acquisition in 1994 of Brinson Partners, a US fund manager, SBC has also expanded its institutional asset management business. This is grouped with investment banking in SBC's international division, but some analysts expect it, too, to be separated.

London banking analysts dismissed speculation in the Swiss press that SBC might be planning to sell or close its domestic retail banking operations: Apart from anything else, the likelihood of finding a buyer willing to enter Switzerland's heavily overbanked market is slim.

But the reorganisation could lead to some upheaval among SBC's top executives. While Mr Gary Brinson is expected to move up the ladder as head of the institutional asset management division, there has been speculation in Basle that Mr Roland Rasi, who now heads the domestic division encompassing both retail banking and private asset management, could be squeezed out.

Wella chief puts last year's profits collapse behind him

By Paul Abrahams

Wella, the troubled German haircare group, yesterday promised that earnings would recover after last year's collapse. First-quarter earnings were above the previous year's, and sales had improved 9.2 per cent. April had gone well, Mr Jürg von Craushaar, chairman, told the FT.

Last year, the Darmstadt-based group's earnings per share fell 48 per cent from DM54 to DM26, after being hit by weak markets, the D-Mark's strength and a botched reorganisation. The then chairman Mr Peter Zuhlsdorff was replaced last September.

Mr von Craushaar admitted: "Our difficulties last year were partly because of weak markets. But the damage was also in-house and self-inflicted. Our acquisition strategy had let us neglect our core brands.

"Last year was a little internal accident," said Mr von Craushaar. "The board's decision to maintain the dividend at DM14 per preference share demonstrates its conviction it was a one-off and will not happen again."

The sources of last year's problems had been eliminated, he said. The D-Mark, which wreaked such havoc, had been neutral during the first quarter. The yen's depreciation had been offset by the appreciation of other currencies.

UK operations were expected to move back into profit this year, thanks to the launch of "Experience", a premium range. In China, a management reorganisation should allow the business to break even, but the Russian business would only reach profitability in 1998. The manufacturing reorganisation, which had caused product shortages and costly outsourcing, was 90 per cent completed, said Mr von Craushaar.

Sales of professional haircare products had risen 10 per cent in the first quarter, driven by a strong performance from retail haircare, up 22 per cent. But sales of scents and cosmetics declined 2.7 per cent. This was blamed on the launch of new products whose shipment had not yet been booked.

In Asia-Pacific, sales had climbed 33.9 per cent, helped by a 30 per cent rise in turnover in China. "That was from a low base and can't be repeated," Mr von Craushaar said. The company had set a target of lifting annual sales by between 2 and 4 per cent above market growth, expected to average 3 per cent in the coming years.

Mr von Craushaar said he wanted Wella to grow in its core haircare segment.

"Of course we want to expand organically. But we're looking to set up joint ventures in China and India, and we're also interested in an acquisition in the US retail market, although not just yet," he said.

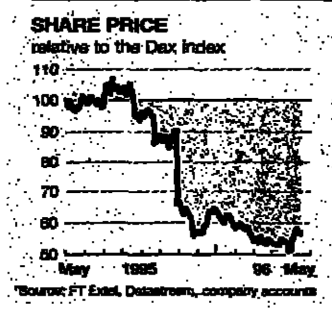
PROFILE:

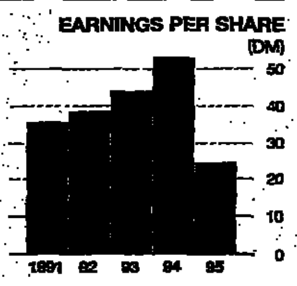
Wella

Market value: $558.2m — Main listing: Frankfurt

Historic P/E	30
Dividend yield	1.69%
Earnings per share	DM 26
Current share price	DM 808

Chief executive Jürg von Craushaar





*Source: FT Extel, Datastream, company accounts

Svedala steps up bidding contest for Tampella

By Hugh Carnegy in Stockholm

Svedala, the Swedish mining and construction equipment maker, yesterday stepped up its bid to acquire Finnish rival Tampella, claiming a merger of the two would produce more than SKr250m ($37m) a year in synergy benefits and create a world leader in the sector.

In a cheeky attempt to outflank Sandvik, the Swedish tools and specialty steelmaker which is also wooing Tampella, Svedala also said it regarded the existing co-operation between Sandvik and Tampella subsidiary Tamrock as "an important element" which it expected to retain.

Svedala yesterday formally made its FM1.4bn ($297.9m) cash-or-shares offer for Tampella, conditional on it winning 51 per cent of the stock. Sandvik last month bought a 26 per cent share in Tampella from Norway's Kvaerner for SKr500m, and said it was considering acquiring a majority stake in the company. It also holds 25 per cent of Tamrock.

Tampella shares rose FM0.40 yesterday to close at FM10.40 – just below the FM10.50-a-share cash offer from Svedala.

Mr Jouko Jaakola, Tampella chief executive, said yesterday the board would announce its position on the Svedala bid "in due course". He said the company was, meanwhile, in contact with other "interested parties", but did not elaborate.

Sandvik last night repeated that the company was discussing its interest in increasing its Tampella stake with other shareholders.

Tampella, meanwhile, announced it had swung from a loss of FM29m in the first four months of 1995 to a profit of FM67m in the same period this year. However, the figures were distorted by the sale of its power division to Kvaerner earlier this year. Excluding the power operations, group sales rose from FM991m in the first four months last year to FM1.45bn, while operating profits were up from FM67m to FM77m.

Svedala, which returned pre-tax profits last year of SKr736m, said it estimated savings in administrative and marketing costs, plus increased volumes and more efficient financial management would yield synergy benefits "in excess of SKr250m" a year.

Crédit Foncier arm faces revolt by investors

By Andrew Jack in Paris

Shareholders of one of the most important subsidiaries of Crédit Foncier de France, the troubled property lender, plan a series of critical questions at the company's annual general meeting, scheduled for tomorrow.

Ms Colette Neuville, head of Adam, the association for the defence of minority shareholders, submitted a series of questions last week to the directors of Société des Immeubles de France, which is 55 per cent owned by Crédit Foncier.

She plans to demand answers to the questions at the meeting on Wednesday, expressing concerns shared by a number of French and international institutional investors seeking to preserve their investments' value.

She wants details on how many directors of the company live in apartments owned by the group; what rent they pay; and with whose approval such agreements were made. "It's time French companies worked in the interests of shareholders," she said.

Ms Neuville also wants clarification on the practice by which Crédit Foncier and other large French property owners exchanged buildings as a device to generate transactions and maintain the value of their real estate.

She has already criticised estimates of the value of the assets of the group, provided late last year by Banque Indosuez ahead of a proposed merger of Société des Immeubles de France and Crédit Foncier, at more than FFr305 a share.

These now appear meaningless, after Crédit Foncier announced losses at the end of April of FFr10.8bn ($2.1bn) after provisions of FFr13.6bn, and proposed to all but wipe out its share capital in order to remain solvent.

The latest move is one of a series triggered by frustration from investors in Crédit Foncier and its subsidiaries about the latest actions of management. They want additional government support to bolster the group.

NEWS DIGEST

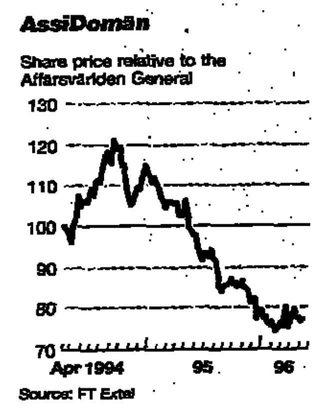
France sets retail price for AGF sale

The French government last night announced a retail investor privatisation price of FFr128 a share for Assurances Générales de France, the insurance group. It also said it would offer for sale more of its 57 per cent stake than previously planned, reducing its own holding to less than 5 per cent of the total, and possibly to none. It had originally said it would sell at least a 45 per cent stake.

The public offer opens today and lasts until May 29. The details came as it emerged that pre-placements by institutional investors outnumbered the number of shares allocated to them more than three times over. About two-thirds of the demand came from foreign institutions, and one-third from French. A price for the institutional tranche – expected to be slightly above the price to individuals – should be published at the end of the month.

Andrew Jack, Paris

AssiDomän falls 23% in quarter



Source: FT Extel

The gloom pervading the Scandinavian forestry industry was reinforced yesterday when AssiDomän, the Swedish pulp and paper group, reported a 23 per cent fall in first-quarter profits. Pre-tax profits dropped from SKr1.1bn to SKr827m ($122.8m) as plummeting prices and a stronger krona eroded performance. Discounting a SKr403m capital gain from property disposals, the figures were about SKr150m below analysts' forecasts.

AssiDomän's shares closed down SKr1 at SKr158. Mr Lennart Ahlgren, chief executive, believed the downturn had bottomed and was "cautiously optimistic" of improved fortunes in coming months. It was too early to judge whether announced price increases in pulp and kraftliner (a key component of corrugated board) would hold.

"We see some weak signs of improvement in sawn goods and that has traditionally been the signal of recovery," he said, but stressed events were still uncertain. Mr Ahlgren said the group's figures had been hit by a slump in pulp prices. Production cutbacks to match lower demand, and reductions in output caused by plant investment had also taken a toll. Sales were almost flat at SKr5.42bn against SKr5.37bn, and earnings per share declined from SKr6.6 to SKr5.2.

Greg McIvor, Stockholm

Paris bourse may open longer

The French stock exchange is considering a radical extension of its opening hours, from as early as 8.30am to as late as 9pm in an effort to boost its attractiveness. The Société des Bourses Françaises, operator of the Paris market, confirmed it recently set up a working group to study longer opening hours from the existing 10am to 5pm.

The extended hours would allow individual investors more time to buy and sell shares outside working hours, increase the overlap in trading times with New York, and provide Paris with an advantage over its European rivals. The talks are expected to be concluded during the autumn. The bourse stressed yesterday they remained preliminary.

Andrew Jack

This announcement appears as a matter of record only.

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April, 1996

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INVESTCORP S.A.

U.S. $350,000,000

Eurodollar Term Facility

Arrangers

Al Bank Al Saudi Al Fransi
The Arab Investment Company, S.A.A. (TAIC)
The Bank of Tokyo-Mitsubishi, Ltd.
Bayerische Landesbank Girozentrale
Chase Investment Bank Limited
Deutsche Bank Luxembourg S.A.
National Bank of Bahrain B.S.C.
The Saudi British Bank
Société Générale
WestLB Group
Arab Banking Corporation (B.S.C.)
Bank of Scotland
Bankers Trust International PLC
Banque Nationale de Paris
Credit Suisse
Lloyds Bank Capital Markets Group
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Lead Managers

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Co-Managers

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Landesbank Schleswig-Holstein International S.A.
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Participants

Abu Dhabi Commercial Bank
Bayerische Vereinsbank Aktiengesellschaft
Credit Industriel et Commercial Paris Branch
The Bank of Kuwait & Middle East (K.S.C.)
Republic National Bank of New York
The Dai-Ichi Kangyo Bank, Limited

Agent

National Westminster Bank Plc

May 1996

GE Capital b ys AmeriData T ch for $490m

By Richard Waters
in New York

GE Capital, the financial services arm of General Electric, yesterday announced another step into the computer services business with the $490m acquisition of AmeriData Technologies.

The purchase will give GE Capital a bigger presence in the business of setting up and maintaining desk-top computers and networks, a worldwide market that the company estimates to be worth $80bn a year. The move follows other *similar GE acquisitions* in Canada and Australia, and will bring a stronger presence in the US.

AmeriData, formerly known as Sage Technologies, sells, installs and services both the hardware and software for network systems. Its revenues have climbed from $1m in 1991 to $1.5bn last year. Due in part to acquisitions late last year, AmeriData's revenues outside the US this year will reach $250m-$300m, said Mr Mike Ford, chief executive of GE Capital Technology Management Services.

GE Capital's presence in the information technology industry is founded on its computer leasing activities.

With the addition of AmeriData, it said it would be able to handle all aspects of acquiring and running a computer network in the US, from procuring the equipment to running a help desk and keeping track of the hardware.

The move echoes GE Capital's developme in other equipment leas g markets, where it has use its foothold as a financier o build a broader services usiness. Of the diversificatio away from pure finance, M Ford said: "The services t t we wrap around the finan g are what adds value for t customer," and will reinfor the profitability of this business in future.

The acquisitio also suggests that GE Capital, hich has ridden the rapid owth of the financial servi s industry over the past de ade, believes much of its futu growth will come from provi ing a wider range of service.

The desk-top s vices market is set to grow a more than 20 per cent a year r the foreseeable future, Mr rd said. This fragmented bus ess is divided at the mome between a range of special t service companies, the big ardware suppliers, and IT c sulting firms such as Electr ic Data Services.

GE Capital's isting IT services business nerated revenues of $1.3bn i 1995, $650m of which came om Canada, where it made to acquisitions in 1993 and 19 . Earlier this year, it bought erntree Computer, an Aust lian company with revenues hich Mr Ford put at $150m.

Overall, GE apital made after-tax profits of $2.4bn last year, making it he US's third most profitable inancial services company. Only Citicorp and American International Group earned m re.

Toys 'R' Us sta es first-quarter ral y

By Richard Tomkins
in New York

Toys "R" Us, the US toy store group, yesterday showed signs of ending a year-long slump in earnings by reporting a small increase in profits for the first quarter. Net income edged ahead from $18.4m to $18.7m, *although earnings per share* were unchanged at 7 cents.

Sales rose 10 per cent to $1.6bn, and in the US, sales at stores that had been open a year or more rose by 7 per cent. Profits moved ahead only slightly because much of the sales growth came from video hardware products, which carry low margins, and because interest charges were pushed up by the company's expansion.

In its fiscal y r to March 2, Toys "R" Us s ered a slump in profits from 09m to $93m, partly becaus of a $270m restructuring c rge.

The company blamed tough competition rom other discount reta rs and the absence of any hot" new toy products such the previous year's Power R gers.

Yesterday To "R" Us said it was pushi ahead with further expan n this year, including th opening of the first of a ain of Babies "R" Us stores nd two Toys "R" Us KidsW d superstores, which com e all the company's for ts under one roof.

Openings w e expected to total about 45 ores in the US and 55 interna nally.

NEWS DIGEST

CBoT, Taiwan SE in options mov

The world's two largest futures exchanges are elling over rights to the fledgling Taiwanese derivatives m ket. Yesterday *the Chicago Board of Trade said* it ha signed an agreement with the Taiwan Stock Exchange to eate a new futures and options exchange in Taiwan. This f owed an announcement on Friday by the Chicago Merca ile Exchange when it said it was seeking regulatory approva trade futures and options on a newly created index of 00 Taiwanese stocks on its trading floor in Chicago *and on its* lobex after-hours electronic trading system.

Both Chicago exchanges hope to benefit from recently-liberalised regulations in Taiwan, whe futures and options are not traded.

"*We're seeing* tremendous demand internatio lly for Taiwan financial products, and the recent liber sation of financial laws has made this market even more tractive to investors and hedgers worldwide," said Mr Jack andner, CME chairman. Taiwan's stock market is the eighth rgest in the world, and the fourth most actively traded.

The CME has begun a new division in *Chicag to trade* emerging market products, and plans to add th Taiwan 100 equity index to this complex. The CBoT, in con st, prefers to enter into joint ventures in emerging market c ntries to develop domestic exchanges. *Laurie orse, Chicago*

RBC seeks rules relaxat n

Mr John Cleghorn, chairman of the Royal Bank f Canada, the country's largest bank, has stepped up pressur n the federal government to relax the 10 per cent maximum nership rule for *Canada's domestic* banks and to allow forei -owned banks more freedom to compete. In return the Canadi banks want the freedom to merge into larger units, to help em compete with large global banks. Mr Cleghorn predicts e or more mergers among Canada's Big Six banks in the ar future if the rules are relaxed. The Bank Act is due for r ision next year.

Canadian banks are also trying to obtain the ght to sell insurance products through their branches.

Robert G bens, Montreal

Onex starts year in red

Onex, Canada's leading leveraged buy-out spec list, posted a first-quarter operating loss of C$3m (US$2.18m) ecause of restructuring costs following the 1995 acquisiti of Caterair International of the US for C$700m and anothe US acquisition for C$236m.

These deals pushed first-quarter revenues to $2bn from C$970m a year earlier, and final net profit after pecial items was C$2.1m against C$25.7m.

Founder and chief shareholder Mr Gerald Sc artz said restructuring costs would affect Onex's perfor nce through 1996. Onex's subsidiaries are primarily in the a catering and car components business.

Robert Gibbens

Brazil turns to Light to revitalise privatisation

The much-delayed sale of Rio's electricity group is finally coming to market, reports Jonathan Wheatley

Brazil's troubled privatisation programme is due to resume today with the offer of 60 per cent of Light, Rio de Janeiro's electricity company. The sale, the biggest yet attempted in Brazil, would value Light at a minimum of R$3.72bn ($3.73bn).

If successful, it could revitalise the programme, help other Brazilian states with their own sell-offs and offer new hope for a speedy sale of mining giant Companhia Vale do Rio Doce, expected early next year.

Light's sale has attracted *interest from foreign electricity* groups such as Electricité de France, Chilectra of Chile and Houston Industries of the US but the run-up to today's auction on the Rio de Janeiro exchange has been far from smooth. Originally scheduled for March 13, it has been postponed twice and a third delay cannot be ruled out before the auction starts at 10am local time. Potential buyers say the price is too high and a series of problems remain unresolved.

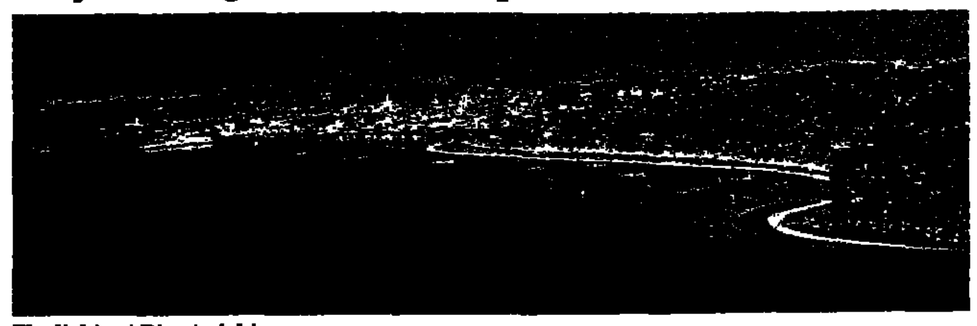
"It is very important for Brazil to show international investors that it is capable of running a well-managed privatisation programme," said Mr *Moises Pinsky*, financial director of Brazilian steelmaker CSN, one of Light's biggest customers and a potential bidder. "But a lot of questions remain to be answered about *this sale.*"

Light's privatisation was first delayed in January following a cut in the rate of corporation tax. Rescheduled for April 18, it was postponed again when investors said they needed more time to raise funds. At the same time, the government tried to attract more interest by allowing buyers to use so-called privatisation bonds instead of cash for up to 30 per cent of the value of shares sold.

These bonds offer buyers an advantage because they are accepted in privatisation sales at face value, although they trade on capital markets at big discounts. The 60 per cent of Light's shares the government hopes to sell today would raise R$2.4bn in cash. Using the bonds, investors would be able to buy control (50 per cent plus *one share) for around R$1.8bn.*

A dispute over the bonds last week threatened to delay the sale again. Two Brazilian engineering companies gained a court ruling allow them to use *their bonds without limit in* the Light sale. Despite government pressure, the supreme court refused to overrule the decision. Ministers met last week to consider postponing the sale, but then insisted it would go ahead.

Other complications have been caused by court actions brought against Light by its employees and some customers. The employees say they are entitled to pay awards to compensate for past inflation; customers are suing for refunds based on tariff increases introduced 10 years ago, when Brazilian prices were frozen by law. The BNDES, the national development bank which is responsible for the privatisation programme, says the disputes are reflected in the sale price and accounted for by contingencies of around R$70m. Buyers say the potential liabilities are much higher; estimates range from R$400m to R$1bn.



The lights at Rio at night

"The liabilities may or may not be as serious as people are saying," said one potential bidder. "But the fact that there is so much uncertainty is typical of the incompetence of the privatisation programme in general. The BNDES insists on setting higher and higher prices instead of setting reasonable prices to attract more buyers."

Other observers say investors are complaining in the hope of gaining another price cut. The potential bidder quoted above says his company would certainly take part in the auction if conditions were right, and might do so even as things stand.

"Light is a reasonable company," he says. "It has no problems that wouldn't be solved by investing R$400m to R$500m in the next two or three years."

Brazil's electricity sector as a whole has suffered from underinvestment in the past 15 years. But Light, which has some generating capacity but concentrates mainly on distribution, has clear potential for investors prepared to bring it up to scratch.

It has 9 per cent of Brazil's market and sells 20,000 gigawatt hours of electricity a year to 2.7m customers. Industrial customers account for 40 per cent of sales.

"It definitely has strategic interest for companies like Chilectra and EDF," says Ana *Cequeira, an analyst at invest*ment bank Icatú. "It's no bargain, but the price isn't far from being reasonable."

Light's share price see-sawed last week on rumours of a further postponement, and its market value swung between *R$3.2bn and R$3.43bn.* Yesterday it stood at R$3.43bn

Analysts expect foreign investors to join Brazilian consortia to form one bidder to buy control of Light for the minimum price.

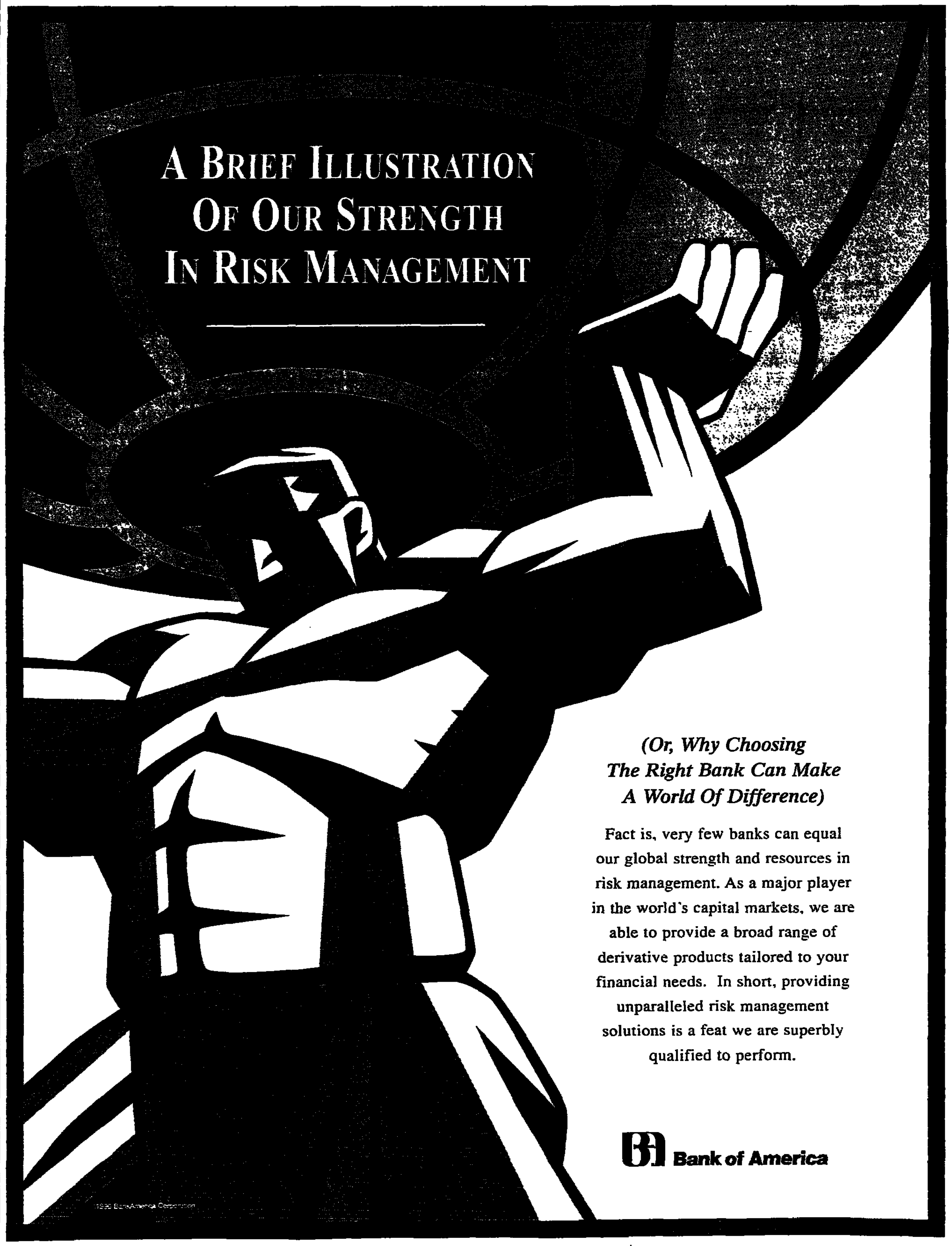
One likely local player is Iven, a consortium of financial institutions formed by Bozano Simonsen, Icatú, Opportunity, Pactual, Fundaçaõ Centrus, Perez Companc, Citibank and BNI, which paid R$358m for control of another electricity company, Escelsa, privatised last July.

Another is GTD, a consortium of Brazilian pension funds. Steelmaker CSN is understood to have formed a third consortium with textiles group Vicunha and Brazilian *banks Bradesco and Safra.*

Let there be Light

	1991	1992	1993	1994	1995*
Customers (000s)	2,598	2,617	2,658	2,689	2,701
Energy sold (gwh)	19,141	19,282	19,486	19,896	10,740
Employees	13,616	11,527	12,654	12,460	11,961

*Jan-June   Source: BNDES



UNION BANCAIRE PRIVÉE
GENÈVE

Positive results in 1995

- Net profit up +11%
- Further increase in market share

- The key figures for 1995 are very favourable: consolidated profit, net return on equity and cash flow are all up, while operating expenses have been reduced.

(in millions of CHF)	1995	1994	change in %
Consolidated net after-tax profit	153.9	138.7	+11%
Net return on equity	17.8%	17.3%	+3%
Consolidated cash flow	219.5	218.7	+0.4%
Total operating expenses	153.2	159.3	-4%

- At the end of 1995, the shareholders' equity amounted to CHF 1.2 billion, an increase of 10.2% over the previous year.

- The Bank continued to expand its market share, in particular through the acquisition of Nordfinanz Bank Zurich, which was completed at the end of November 1995.

- The outlook for 1996 and beyond is encouraging: continued investment in top-notch personnel, coupled with a strengthening of the Bank's presence across the globe's major continents, should result in continued expansion.

Head office: 96-98, rue du Rhône, P.O. Box 1320, CH-1211 Geneva 1 · Tel. (41 22) 819 21 11 · Fax (41 22) 819 22 00

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Payment of Dividend Royal Ahold

The Corporate Executive Board of Royal Ahold would like to announce that, at the General Meeting of Stockholders held on May 14, 1996, the dividend for the 1995 financial year was set at NLG 0.89 and US$ 0.36 per ordinary share of NLG 1.25 nominal value. Of this amount, NLG 0.24 and US$ 0.11 was already made available as an interim dividend on September 18, 1995.

The remaining dividend of NLG 0.65 and US$ 0.25 can be made available to shareholders either as a cash payment for the full amount or as 2%, i.e. NLG 0.025 nominal value, in ordinary shares from the tax-free additional paid-in capital. These shares hold entitlement to payment of dividend over the 1996 financial year and subsequent financial years.

In connection with the above, dividend coupon number 5 is payable as of May 24, 1996 at the ABN AMRO Bank N.V., Herengracht 595 in Amsterdam, and Zaandam, The Netherlands, as well as at the ING Bank N.V. and MeesPierson N.V. in Amsterdam for NLG 0.8096 per share, being NLG 0.65 increased by the exchange value of US$ 0.25, and after deduction of 25% dividend tax. The dividend in US$ has been converted against the interbank exchange rate of May 14, 1996.

If stockholders opt for payment in stock as described above, then one ordinary share (with dividend coupon number 6 and following and voucher), entitled to payment of dividend over the 1996 financial year and following financial years, will be awarded against submission of dividend coupons number 5 for each set of 50 ordinary shares.

Should any dividend coupons number 5 still be outstanding after June 28, 1996, then the unclaimed shares accredited to the outstanding shares will be sold and the receipts shall be held in trust pro rata parte for the holders of as yet unsubmitted dividend coupons.

Commission, in compliance with circular 90-56, will be paid to business members of the Amsterdam Stock Exchange Association related to the exchange of dividend coupon number 5 in shares, so that said exchange can occur free of commission for the holders of these shares. Surrender commission may be charged to those who request their banking institution to send or surrender values in relation to this exchange.

For the holders of shares for which a CF document has been issued, the dividend will be paid out in cash or payment will be made in ordinary stock through the mediation of the depository at whose office the sheets were being kept in deposit at the time the office closed on May 14, 1996. If dividend coupons are submitted by a bank or broker, these must have a company stamp on the back.

Zaandam, The Netherlands, May 15, 1996

Ahold

Royal Ahold, Albert Heijnweg 1, 1507 EH Zaandam, The Netherlands

THE KOREA GOLDEN GATE FUND
1a, rue Thomas Edison
L-1445 LUXEMBOURG
R.C. B 50211

CONVENING NOTICE

The Shareholders are convened hereby to attend the

ORDINARY MEETING

of the Company, which will be held at the head office, on May 29, 1996 at 11.00 a.m.

AGENDA

1. Submission of the Management Report of the Board of Directors and of the Report of the Statutory Auditor.
2. Approval of the annual accounts as at December 31, 1995.
3. Discharge to the Directors and Statutory Auditor.
4. Re-election of the Directors and Statutory Auditor.
5. Miscellaneous.

Only, the Shareholders registered in the Shareholders Register on May 1, 1996, will be authorised to participate at this Meeting.

If Shareholders are unable to attend, they could participate by Power of Attorney. This Power must be received by the Company not later than 5 days prior to the Meeting, at the following address:

The Korea Gold Gate Fund
PO Box 736, L-2017 Luxembourg

Resolutions at the Meeting of Shareholders will be passed by simple majority of the votes of those present or represented.

THE BOARD OF DIRECTORS

Raiffeisen Zentralbank Österreich Aktiengesellschaft
RZB – Austria
(until October 2nd, 1989: Genossenschaftliche Zentralbank Aktiengesellschaft)

U.S. $100,000,000

Perpetual Floating Rate Subordinated Notes

For the six months 20th May, 1996 to 20th November, 1996 the Notes will carry an interest rate of 5.8125% per annum with a coupon amount of U.S. $148.54 per U.S. $5,000 Note, and U.S. $1,485.42 per U.S. $50,000 Note, payable on 20th November, 1996.

Bankers Trust Company, London — Agent Bank

Copies of the Australia and New Zealand Banking Group's Consolidated Results and Dividend Announcement for the half year ended 31 March 1996 are available from Property Services, Minerva House, Montague Close, London SE1 9DH. Telephone 0171-378 2556. ANZ

COMPANIES AND FINANCE: ASIA-PACIFIC

Nikon profits tripled despite sharp rise in yen

By Michiyo Nakamoto in Tokyo

Strong demand for semiconductor equipment helped Nikon, the Japanese camera and precision equipment maker, *to more than triple* non-consolidated recurring profits the year to March despite a sharp rise in the yen's value in the first six months.

Nikon, which has transformed itself from a maker of high-end cameras to a manufacturer of mainly semiconductor-related equipment, posted a 13 per cent increase in sales from Y229.2bn a year ago to Y259.6bn ($2.44bn) and a jump in recurring profits – before extraordinary items and tax – from Y 5.9bn to Y18.8bn.

The strong performance came despite a 15 per cent drop in camera sales, which now comprise about 23 per cent of Nikon's sales, and a 7 per cent decline in sales of lenses.

Cameras, which Nikon is widely *famed for*, suffered amid continuing price competition which has forced the company to shift an increasingly greater proportion of its manufacturing overseas. The yen's *sharp appreciation dented* sales overseas while the Japanese market was characterised throughout the period by sluggish consumer activity.

In contrast, semiconductor related equipment, which now makes up 57 per cent of Nikon's sales, saw buoyant *demand amid the surge in capi*tal investment by semiconductor makers, which in turn has been supported by strong semiconductor emand from the PC and telecommunications industries.

Sales c semiconductor equipment for which Nikon has a 50 pecent global market share, ros 28 per cent as Nikon sigricantly increased production apacity at its facility in Japa in order to meet strong demd.

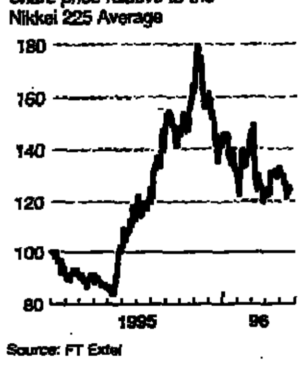
Nikon, wich depends on exports forabout half of its sales, facedinventory adjustments in tl US amid a slowdown in thenarket but continued to see trong demand in Asia.

The compny's performance *was also supported* by cost-cuttingmeasures, Nikon said.

In the curnt year, although recently sc semiconductor prices have ist a shadow over the bullish apital investment plans of semiconductor manufacturs, Nikon expects *sales to incrse 18 per cent to* Y305bn and rcurring profits to *rise 22 per* cnt to Y23bn. Net profits, manwhile, are forecast to sge 49 per cent to Y12bn from 8bn last year.

Nikon

Share price relative to the Nikkei 225 Average



Source: FT Extel

South Korean chipmakers scale down sales forecasts

By John Burton in Seoul

Samsung and Hyundai, two of South Korea's largest manufacturers of semiconductors, yesterday scaled back their sales forecasts for 1996 due to falling prices for computer memory chips.

*The ministry of trade, indus*try and energy also reduced its estimate of semiconductor exports this year by $5.7bn to $25bn.

Samsung Electronics, the world's leading memory chip producer, said that semiconductor sales would fall 15 per cent short of its target of Won10,000bn ($12.82bn), while *Hyundai Electronics* cut its chip sales goal of Won5,200bn by 20 to 30 per cent.

The ministry warned that the slowdown in semiconductor exports could widen Korea's trade deficit from a projected $7bn to $10bn since semiconductors are the country's single biggest export *item. Last year, semiconduc*tors accounted for $21bn of *total exports* of $125bn.

Total monthly sales by the nation's main semiconductor manufacturers, which also include LG Semicon, have fallen steadily from $1.95bn in December to $1.42bn in March, according to the Korean Semiconductor Industry Association.

Chip sale rose by 53 per cent to $4.5bn in the first quarter of 1996 fm a year earlier, but fell shortf initial expectations that th would double.

Prices of megabit and 16-megabit dyamic random access memcy (D-Ram) chips have fallenby almost half *since the mdle of last year* due to a sarp increase in global produion and an unexpected fall indemand by computer manufsturers.

Korean chmakers are trying to reducetheir dependence on 4-megat D-Rams, the industry maistay, by increasing productic of higher-priced 16-megabit and 64-megabit D-Rams.

Mixed full-year results for Japanese drug manufacturers

By Emiko Terazono

Japanese drug makers revealed *mixed results for the year to* March, with companies with *drugs developed in-house post*ing strong increases.

The outlook for the industry for the current year, however, is relatively bleak due to the government's biennial cuts in official drug prices, which are used to reimburse doctors and medical institutions.

In an effort to cut the country's rapidly rising medical *bill*, the ministry of health and welfare is targeting drugs with *strong sales for big price cuts.*

Sankyo, the country's second largest drug maker, posted a 4.2 per cent rise in unconsolidated recurring profits to Y87bn ($816m). Sales rose 2.2 per cent to Y410.2bn on the back of strong sales of Mevalotin, its treatment for high cholesterol.

After-tax profits rose 11.9 per cent to Y41.7bn. The company plans to pay an annual divi*dend of Y18.6 a share*, up from last year's Y16.25.

Price cuts for the company's drugs will average about 6 per cent, compared with the industry's 8.5 per cent. Despite the cuts, Sankyo projects non-consolidated recurring profits to rise 1.1 per cent to Y88bn for 1996–97 on a 1.2 per cent rise in sales to Y415bn.

The company says the figures may be revised upward if it manages to launch Noscal, its anti-diabetic agent. Capital *investment for the year is* planned at Y23.3bn up from Y17.7bn.

Shionogi, which has strong ties with Eli Lilly of the US, was hit by its reliance on antibiotics, since sales of the drugs were brisk the previous year due to high incidences of influenza.

It posted a 5.4 per cent drop in non-consodated recurring profits to Y21bn on a 5.3 per *cent fall in des to* Y225.5bn. After-tax prits fell 2.1 per cent to Y11.2b.

The compay expects to feel the effects ofhis year's drug price rises an forecasts a 14.3 per cent decne in recurring profits to Y1bn in 1996–97 on a 1.6 per cen fall in sales to Y222bn.

Ono Parmaceutical reported a 10 per cent fall in unconsolidate recurring earnings to Y55.2n on an 8.9 per cent rise in sles to Y131.9bn. *After-tax prots rose 14.9 per* cent to Y25.8b.

For 1996–9 it predicts its first earnings etback in seven years, due to decreased demand for i diabetic treatment. It expes parent recurring profits toall 17.6 per cent to Y45.5bn or a 7.1 per cent decline in sale to Y122.5bn.

Murdoch in move to buy rest of Ansett NZ

By Nikki Tait in Sydney

News Ltd, the Australian arm of Mr Rupert Murdoch's News Corporation group, yesterday formally lodged an application to acquire Ansett New Zealand with New Zealand's commerce commission, the country's competition watchdog.

The move represents an *attempt* to clear obstacles to Air New Zealand buying out the *half-share in the Austra*lian-based Ansett parent group held by TNT, the transport company. Ansett New Zealand is the only large competitor to Air New Zealand in its home market, and the NZCC had raised objections to Air NZ owning a large stake in Ansett, even if *management of* its Ansett NZ subsidiary was "*ringfenced*".

News, which owns the other 50 per cent Ansett, claims that the current plan would overcome the competition problem, since Air NZ would not be able to influence management of Ansett NZ once it was in News' control. *The Australian media group is looking for a decision* from the NZCC within 10 days.

Details of the submission by News revealed that the media group plans to acquire Ansett NZ from the Ansett group at net asset value. However, Ansett would have a five-year option to buy back the shares in Ansett New Zealand, and News could also require it to repurchase those shares during that period.

News could *also sell* its Ansett NZ shares to a third *party, but Ansett would* have first right of refusal. "Ansett agrees to indemnify News in relation to losses sustained by News as a result of a sale to third parties or a restructure," added the acquisition agreement.

● Qantas, the other leading Australian airline and main competitor to Ansett, is putting *its Australian Resorts* subsidiary up for sale. The *business comprises resort* properties on five islands off the Queensland coast, mainly in the Great Barrier Reef area, with an aggregate 504 rooms.

The *resorts* business was acquired when Qantas, formerly an international airline only, merged with Australian Airlines, the domestic carrier, in 1992.

Sound growth at Indian refiner

By Kunal Bose in Calcutta

Bharat Petroleum, one of India's larger oil refinery groups, announced net profits of Rs3.86bn ($109m) for the year to the end of March, an increase of more than 33 per cent over the previous year. *Net sales were up 14.19 per* cent to Rs92.54bn.

The company *said that its* joint venture with Oman Oil Company for constructing a refinery with capacity of 6m tonnes a year in Madhya Pradesh had received the necessary clearances from the Indian federal government.

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USINORSACILOR

Net sales for the fst quarter of 1996

The consolidated net sales for the first quarterf 1966 amounted to FRF 18.7 billion compared to FRF 20.9 billion for the first quarter of 1s5. The decline on the basis of a comparable structure was 9.9%. The only change to the gup structure was the equity accounting of Seas (ferro-alloys), fully consolidated in the Flat Procts division until 31 December 1995.

In FRF million	1st quar 1996	1st quarter 1995	% change on basis of comparable structure
Flat Products	8,60	9,830	- 11.5%
Stainless Steel and Alloys	4,59	5,443	- 15.5%
Specialty Products	4,17	4,408	- 5.4%
Other Activities	2,31	2,324	- 0.2%
Intercompany sales	- 96	- 1,134	
Group	18,73	20,871	- 9.9%

The change in net sales between the first quarr of 1995 and the first quarter of 1996 is mainly due to the effect of volume : a decline of 10.% for Flat Products, 13.8% for Stainless Steel and Alloys, and 9% for Specialty Products. is reflects the production slowdown adopted by Usinor Sacilor's subsidiaries with effect fm the 4th quarter of 1995 to take account of the destocking by their European customers.

The impact of price changes compared to theirst quarter for 1995 was limited : a decline of 1% for Flat Products, 1.8% for Stainless Steeand Alloys and a 3.6% increase for Specialty Products. The prices that applied during the fir three months of 1995 were, for the most part, set at the end of 1994.

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Cheung Kong to spin off some infrastructure assets

By John Ridding in Hong Kong

Shares in Cheung Kong rose yesterday after Mr Li Ka-shing's property and investment flagship confirmed plans to spin-off some of its Chinese and Hong Kong infrastructure assets and seek a separate listing for them on the Hong Kong stock market.

The Hong Kong company declined to give details of the move, but the proposed listing is expected to include power plants and highways in China. If the reorganisation extends to Hutchison Whampoa, the group's associate, the spin-off could also include port operations. Investors welcomed the news, sending shares up by HK$1 to close at HK$54.25.

According to UBS securities, Cheung Kong has invested about HK$2.4bn (US$310.3m) in Chinese infrastructure projects. Pending infrastructure investments are estimated at more than HK$6bn, including a 22.5 per cent stake in a large power plant in Zhuhai, in southern China, and roads and bridges in Hubei province, near Beijing.

A spin-off at Cheung Kong had been foreshadowed as early as 1994, when the group issued US$350m of convertible bonds and said it planned a separate listing for some of its China projects. It follows a similar move by New World Development, which hived off its infrastructure assets last year, and by Henderson Land, which recently completed a separate listing for its Chinese property interests.

While Cheung Kong's intention's remained vague, industry analysts said the planned spin-off should provide a targeted vehicle for investments in infrastructure and for some of Cheung Kong's China assets. It would also facilitate the financing of the group's proposed projects.

"They have a lot of projects requiring funding, while investors are increasingly interested in infrastructure plays", said Mr Y.K. Fu, vice-president of Merrill Lynch in Hong Kong. Another investment banker said the group's power projects and the predictability of earnings streams from highway projects would draw investors.

In its brief statement, Cheung Kong said only that an application had been made to the Hong Kong stock market to list a subsidiary grouping certain of its infrastructure and infrastructure-related businesses. It advised investors in the company to exercise caution since the proposed listing may not proceed. The company said that a further announcement would be made "when appropriate".

Analysts said the move would have a positive impact on Cheung Kong. Observers were divided, however, over the scale of the planned spin-off.

Lex, Page 17

Hatamoto steering Honda back to profits growth

Higher sales in all main markets are a large factor in the carmaker's recovery, writes Haig Simonian

When Honda Motor announces its profits for the 1995-96 financial year today, the figures should confirm Japan's third biggest carmaker has weathered the turbulent past five years better than most of its domestic rivals.

Profits for the year ended March 31 "will be similar, or better, than those of three years ago", says Mr Nobuhiko Kawamoto, president. His exclusion of the "disastrous" tandem of 1993 and 1994 is deliberate; the steep drop in Honda's earnings in both years reflected the bursting of Japan's economic bubble. "I think there will be a recovery to the 1992 level," he says. Honda made Y131bn ($1.23bn) before tax that year.

In an interview at the European launch of the company's new Legend executive saloon, Mr Kawamoto predicted a return to longer-term profits growth, with earnings for the 1997-8 financial year set to exceed the Y152bn made before tax in fiscal 1990.

His forecasts assume, however, a yen-dollar exchange rate of between Y95 and Y100. Currency predictions have proved tricky for Japan's carmakers in the past. The dollar's decline to Y79 a year ago set alarm bells ringing throughout the industry as margins on exports evaporated.

The yen's appreciation prompted an immediate budget review at Honda. The company revised its plans for the 1995 financial year and based its assumptions for the following year on the basis that the dollar would trade at an average Y80. Matters turned out better than expected. Last August, the dollar recovered to over Y90, taking the average exchange rate for 1995-96 to Y92.

The dollar's recovery is one of the reasons behind the upturn in Honda's profits, says Mr Kawamoto. Sharply higher sales in all main markets and cost-cutting over the past four years are the others, he says.

Sales rose by 10 to 12 per cent in Japan, the US, Europe and Asia last year as the company comfortably outperformed the market in all four regions. It should do the same in the current 12 months, he predicts.

Honda's sales growth has been based on a strong model range. Output of the big Odyssey multi-purpose vehicle – the first of a string of recent successes – is running at between 10,000 and 12,000 units a month compared with the original target of 3,000 units. The CR-V sports utility, introduced after last October's Tokyo motor show, is doing almost as well,

> This year, the Accord has even nosed ahead of Ford's Taurus to become the US market leader

with monthly production of about double the original 3,000 unit forecast.

More recent models are also looking good. The Civic station wagon is selling at about twice the forecast rate of 3,000 units a month. And preliminary interest in the Step Wagon, a scaled-down people carrier first displayed as the F-MX at the Tokyo show and just launched in Japan, suggests demand will be buoyant now the model is in the showroom.

The new vehicles have underpinned the growth in Honda's domestic sales. Registrations last year were on target at 640,000 units. Figures for the first quarter suggest it is on course to meet its current-year objective of 720,000 units. The resilience of demand has prompted Mr Kawamoto to bring forward by a year his 1998 target of selling 800,000 units at home.

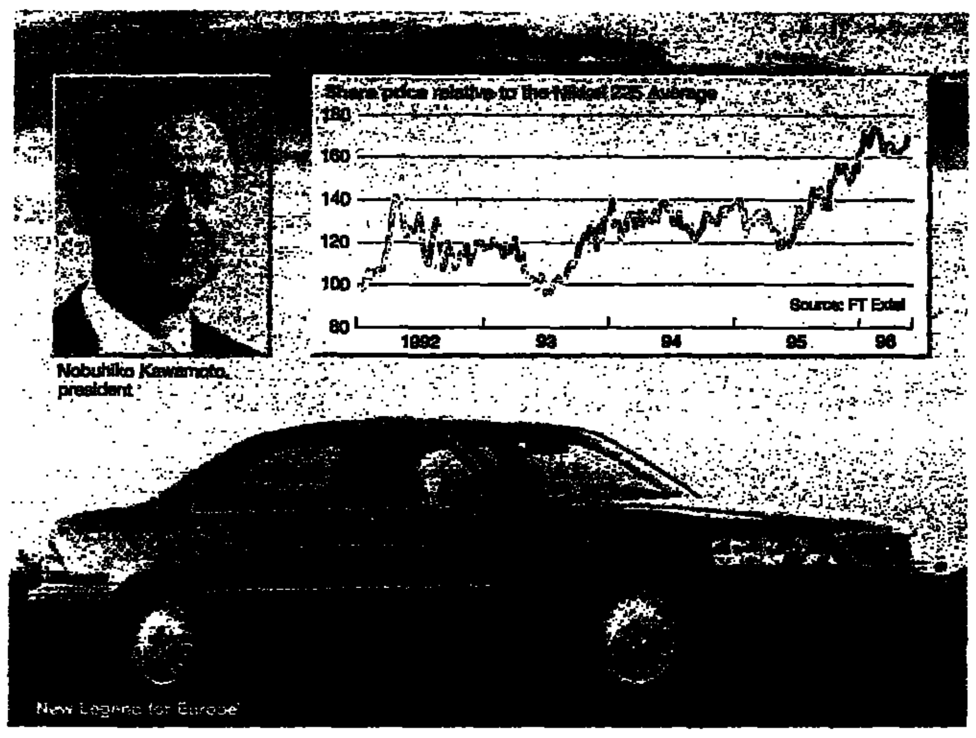
Strong domestic demand has been matched abroad. In the US, which accounts for 50 to 60 per cent of operating profits, the company's 1995 sales and inventory were relatively favourable compared with both its Japanese rivals and Detroit's "Big Three" carmakers, according to Goldman Sachs. This year, the Accord has even nosed ahead of Ford's Taurus to become the US market leader.

The US is by far the biggest of the foreign countries in which Honda is building cars to meet demand growth and to reduce its dependence on exports from Japan. It decided recently to raise its US capacity by 100,000 units to 720,000 units a year and to build V6 engines locally. It will also go ahead with a new factory in Canada for 120,000 multi-purpose vehicles a year.

Mr Kawamoto says foreign production will continue to grow. Output in the UK is being accelerated to 150,000 units a year from 100,000 with the introduction of the Accord and the likely addition of an estate version of the Civic 5-door. Further afield, the company has decided to start car production in Brazil.

Much of Honda's recent success has come from its ability to spot market niches and quickly develop new products, such as sports utilities, to fill the gap. But Mr Kawamoto is wary about predicting the demise of the family saloon.

Undeterred by the seemingly relentless rise of the "recreational vehicle" in Japan and elsewhere, he believes the saloon will make a comeback. Although recreational vehicles, such as sports utilities, people carriers and estate cars will comprise about 40 per cent of Honda's sales this year, "I think the recreational vehicle may not last long", he warns.



Nobuhiko Kawamoto, president

New Legend for Europe

"I don't know where demand will go – but surely back to the saloon", he predicts. Having the "agility" to deal with such changes is a phrase constantly on his lips. Hence Honda's decision to continue investing heavily to simplify the engineering, improve the quality and reduce the costs of its traditional models. "You must carry on with saloons. You must be prepared," he says.

Matsushita and Toyota in car battery venture

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest car maker, and Matsushita, the country's biggest electronics manufacturer, have teamed up to develop batteries for electric cars in a move that highlights the accelerating race to introduce alternative energy sources amid spreading concerns for the environment.

The two are among Japan's strongest companies in their respective industries, and their group companies, Matsushita Battery Industrial and Toyoda Automatic Loom Works, have agreed to establish a joint venture company, Panasonic EV Energy, to develop electric cars.

The new company, which will develop, manufacture and market nickel metal hydride rechargeable batteries for electric cars, will bring together Toyota's electric vehicle engineering know-how and Matsushita's expertise in batteries, as well as the financial strength of both blue-chip companies.

The joint venture is the strongest indication that Japanese companies are determined to stay ahead in the development of environment-friendly technologies.

"We are confident that our nickel metal hydride technology is highly advanced and believe that it can be the industry standard," Mr Shiro Donishi, president of Matsushita Battery Industrial, said yesterday.

The two companies, which have been working together on the development of nickel metal hydride batteries, recognised that the market for electric vehicles remained highly uncertain, but said that given the market environment, "it is necessary to go beyond development to making this a practical reality".

Other leading carmakers worldwide have been joining forces with battery makers to develop electric cars amid regulatory moves to require carmakers to produce a certain number of low emission vehicles.

GM, the US car company, has been working with Ovonic, Peugeot with Sarf and Nissan with Sony, on developing batteries for electric cars after a decision in California that by 2003, 10 per cent of vehicles sold in that state will be required to be electric vehicles.

For carmakers, development of electric vehicles is a costly necessity that promises unpredictable returns.

Toyota, which has already invested at least Y10bn ($94m)in electric vehicles and plans to market a recreational EV in the US next autumn, said it does not believe that electric vehicles will replace petrol-powered ones for the foreseeable future. "Electric cars will be restricted to specific uses," said Mr Masanao Shiomi, managing director of Toyota.

Toyota and Matsushita do not expect the new company to make a profit at least until 2000, when the market for electric vehicles in North America, Japan and Europe is expected to reach 10,000 units. However, Matsushita has already been approached by several companies interested in using its batteries.

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To Holders of Bearer Securities Representing
9% Class II Negotiable Obligations Due September 30, 1997

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Law 24,587 (the "Law"), published in Argentina in the Official Gazette on November 22, 1995 (Ley de Nominatividad de los Titulos Valores Privados), makes it mandatory, as a matter of Argentine public policy, for any security issued by an Argentine private entity (including the Bearer Securities issued pursuant to the Fiscal Agency Agreement) to be converted to a non-endorsable, registered form. In furtherance of the Law, the Federal Executive Power has issued Decree 259/96 (the "Decree"), published in the Official Gazette on March 20, 1996 (the Law and the Decree, the "Regulations"). Under Article 13 of the Decree, bearer debt securities that have been registered with and authorized by the Argentina Comisión Nacional de Valores ("CNV") under its public offering regulations (such as the Securities) are deemed to be in compliance with the Regulations if and when represented under global or partial certificates deposited under local or foreign clearing systems approved by the CNV (which are expected to include the Caja de Valores S.A. (the "Caja"), the Argentine clearing system, and Euroclear and Cedel Bank). The Regulations require that all outstanding bearer securities of private issuers (including the Bearer Securities) be converted or exchanged for non-endorsable, registered securities, or partial or global certificates as aforesaid, ON OR BEFORE MAY 22, 1996.

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Except as provided in the following sentence, on May 22, 1996 each Bearer Security which is held through an account holder in Euroclear on Cedel Bank will be converted into and exchanged for an interest of an equal aggregate principal amount in the Registered Global Certificate to be held by and registered in the name of the common depositary for Euroclear and Cedel Bank or its nominee. Any beneficial owner of a Bearer Security so held through an account holder in Euroclear or Cedel Bank who does not wish such Bearer Security to be so converted and exchanged, should notify such account holder immediately.

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May 17, 1996

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CHINA
Ng Fung Hong Limited
HK$ 1,248,000,000
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HONG KONG
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BA looks for £1bn to retain competitiveness

By Michael Skapinker, Aerospace Correspondent

British Airways yesterday announced full year pre-tax profits of £585m ($889m) but said it would have to find £1bn over the next three years to maintain its competitiveness.

Sir Colin Marshall, chairman, said the £1bn would come from a combination of cost-cutting, improved use of assets and revenue enhancement.

He said: "Every aspect of the group's operation is under review to achieve this goal, including commercial, operational and overhead activities." BA said it took £150m in costs out of the airline last year, bringing the total to £900m over five years.

Sir Colin Marshall celebrates yesterday's results with colleagues

BA said the further savings were needed even though its aircraft carried more passengers last year than ever and in spite of a rise in fares. Passenger load factor, or seat occupancy, averaged 73.6 per cent over the year, an increase of 2 percentage points.

Passenger yields – the amount the airline receives for each mile it flies a passenger – rose by 0.8 per cent on BA's mainline scheduled passenger services over the year, with an increase of 4.1 per cent in the fourth quarter.

The airline said, however, its planning was based on the assumption that yields would in the future fall by 1 per cent a year. Cargo yield last year rose 4.7 per cent.

BA's pre-tax profit figure, its highest ever, was 29.4 per cent up on last year's £452m before provisions. Revenues in the year to March 31 were up 8 per cent to £7.8bn. Operating profit increased by 17.8 per cent to £728m. The operating margin of 9.4 per cent was the highest since the group was privatised in 1987.

BA said its alliances with other airlines contributed £150m to operating profits. Losses from Deutsche BA and TAT of France fell to £68m from £90m the previous year, in spite of a strengthening of both the D-Mark and the French franc against sterling.

BA's tie with USAir, in which it has a 24.6 per cent stake, brought in $130m (£85m). BA said its alliance with Qantas of Australia meant it could use one Boeing 747 fewer on the UK-Australia route.

The final dividend is 9.8p, bringing the total dividend to 13.65p, an increase of 10.1 per cent on last time. Earnings per share were 49.4p, compared with 26.2p.

Net borrowings at year end were £3.7bn, resulting in gearing of 59.8 per cent, a 4 percentage point fall on the previous year.

Sir Colin said: "The economic outlook is encouraging and latest industry results continue to show improvements in international airlines' seat factor performance. Industry financial performance remains on the upswing, with the International Air Transport Association forecasting increased profitability for 1996."

LEX COMMENT

Railtrack

Railtrack's impressive start has given investors plenty to be chuffed about. The question now is whether they should stick along for the ride, or hop quickly off. There are plenty of reasons for staying put. To understand why, compare Railtrack with, say, a regional electricity company. Its revenues are more secure, the scope for cost-cutting is greater and its balance sheet is better-padded. Yet on any measure, Railtrack shares are cheaper.

But there are two flies in the ointment. The first is the threat of a Labour government. There is every reason to take seriously the Labour party's plan to give itself control of the rail regulator – if only because Railtrack's financial potential is such a juicy target. This is not just a problem for the future: it leaves the company in a bind now as well. The more commercially it behaves – by, say, aggressive cost-cutting or buying back its own shares – the greater the risk it will get clobbered after the election.

Second, even if there is plenty more value left in the shares, the market will not necessarily recognise the fact. It is all too likely that Railtrack will suffer the same fate as the water sector – that the market refuses to acknowledge its financial strength because of ill-defined political fears and over-reliance on crude, yield-based valuations.

Even at the current price, the shares look a good long-term investment. But now that they are yielding slightly less than water stocks, it is difficult to see the market recognising much more upside in the short term.

ERF board accepts Western Star offer

By John Griffiths

ERF, the UK's last publicly-quoted independent heavy truck maker, is to be taken over by a Canadian truck company not much larger than itself.

ERF chairman Mr Peter Foden, whose family controls 30 per cent of its shares, said last night its board was unanimously recommending a 275p cash offer from the Western Star company for all ERF's shares, valuing the company at £27.4m ($41.64m).

Acceptances already total 52 per cent as a result of institutions, who also hold about 30 per cent, lining up behind the offer. It represents a premium of 13 per cent on the shares when they were suspended on Thursday, and of 55 per cent prior to ERF disclosing Western Star's purchase of a 4.2 per cent stake in early April.

ERF, one of the UK industry's smallest companies, with 700 employees and production of 3,300 trucks last year, has been under heavy pressure in a fiercely competitive domestic heavy truck market.

Yesterday, it said pre-tax profits for the year to March 30 were £1.8m (£2.3m). This was at the bottom end of analysts' forecasts and included an exceptional profit of £0.8m resulting from the sale of shares in ERF's South African subsidiary. It announced a second interim dividend of 2.5p.

Western Star, based in the remote Okanagan valley of British Columbia, earned $C55m before tax on sales of $C726m last year.

Mr Terry Peabody, its Australian-born chairman, said pooling products and developing joint distribution networks could lead to a doubling of sales for each company over the next five to 10 years.

While ERF mainly builds conventional – by European standards – "cabover" trucks, without a bonnet, Western Star produces the bonneted trucks which predominate in North America.

The companies are to retain their separate identities and Mr Foden said last night he would continue as ERF's chairman. He and Mr John Bryant, ERF's managing director, are to join Western Star's Board and Mr Peabody and another Western Star director are to joint that of ERF.

British Biotech shares jump ahead of statement

By Daniel Green in London

Shares in British Biotech, the UK's biggest biotechnology company, rose 185p to £30.30 yesterday as the stock market took a bullish view ahead of an announcement today on progress in trials of its cancer drug marimastat.

If the data supports previous test results, which suggested that tablets of marimastat could treat a wide range of cancers, the company could soon become eligible for inclusion in the FT-SE 100 index of leading shares.

The company was yesterday valued at £1.75bn ($2.66bn); the threshold for FT-SE entry is about £2bn.

British Biotech has already provided investors with rich rewards, on paper at least, and the company's shares have been among the stock market's best performers in recent months.

Less than a year ago they were valued at below 500p.

The market's valuation is based on the prospects for the company's drugs in research, of which marimastat has the most potential: a drug that could treat many cancers could have sales of several billion pounds a year.

But there is still a long way to go before marimastat can reach the market. The drug has yet to clear the final stages of testing, in which it will be compared against a placebo in statistically significant trials. If they go well, the launch could be in 1997 or 1998.

Success in trials would probably signal another rights issue. The company is spending about £25m a year, mostly on research and development, and has net cash of about £60m, according to analysts at Lehman Brothers in London.

The company was founded in 1986 with venture capital financing that valued it at £2.5m. It floated in 1991 at 425p a share and has since raised £96m in a rights issue and exercise of warrants.

Before the recent optimism, the company has had its reverses.

Batimastat, an injectible cancer treatment, was once its foremost candidate for commercialisation and now rarely rates a mention.

The company has 350 staff, including 20 in the US, where it has a Nasdaq quotation.

BANCO GENERAL DE NEGOCIOS S.A.

("BGN")

IMPORTANT NOTICE

YOUR IMMEDIATE ACTION IS REQUIRED. IF YOU HAVE ANY DOUBT WITH RESPECT TO THE CONTENTS OF THIS NOTICE, YOU SHOULD CONSULT WITH YOUR ADVISORS

To Holders of Securities Representing US$25,000,000 9.25% Negotiable Obligations Due 1997

COMMON CODE: 4011490 ISIN CODE: XS0040114901

Capitalized terms used but not defined herein have the meanings assigned to them in the Fiscal Agency Agreement dated as of October 15, 1992 pursuant to which the above Securities have been issued.

EXCHANGE OF BEARER SECURITIES FOR INTERESTS IN A REGISTERED GLOBAL CERTIFICATE

Law 24,587 (the "Law"), published in Argentina in the Official Gazette on November 22, 1995 (*Ley de Nominatividad de los Títulos Valores Privados*), makes it mandatory, as a matter of Argentine public policy, for any security issued by an Argentine private entity (including the Bearer Securities issued pursuant to the Fiscal Agency Agreement) to be converted to a non-endorsable, registered form. In furtherance of the Law, the Federal Executive Power has issued Decree 259/96 (the "Decree"), published in the Official Gazette on March 20, 1996 (the Law and the Decree, the "Regulations"). Under Article 13 of the Decree, debt securities that have been registered with and authorized by the Argentine *Comisión Nacional de Valores* ("CNV") under its public offering regulations (such as the Securities) are deemed to be in compliance with the Regulations if and when represented under global or partial certificates deposited under local or foreign clearing systems approved by the CNV (which include the *Caja de Valores S.A.* (the "Caja"), the Argentine clearing system, and which are expected to include Euroclear and Cedel Bank). The Regulations require that all outstanding securities of private issuers (including the Bearer Securities) be converted or exchanged for non-endorsable, registered securities, or partial or global certificates as aforesaid, *ON OR BEFORE MAY 22, 1996.*

Under the Regulations, after the above deadline and until such time as the exchange is effected, no rights can be exercised with respect to any bearer securities (such as the Bearer Securities) including, without limitation, receiving interest or principal payments or effecting any transfer, pledge or other lien with respect thereto.

If the Bearer Securities are not converted into securities in registered non-endorsable form on or before May 22, 1996, the Regulations impose the following consequences:

1. The Bearer Securities become non-transferable under Argentine law and Holders may not exercise any rights under the Bearer Securities, including the right to claim payments under the Bearer Securities.
2. All tax exemptions relating to the Bearer Securities granted by the Argentine Negotiable Obligations Law No. 23,576 (as amended) will be suspended until conversion as required by the Regulations takes place.
3. Any payments of principal or interest under the Bearer Securities will be subject to a thirty (30) per cent. withholding tax. The Issuer would be required to pay additional amounts pursuant to Condition 6 of the Terms of the Bearer Securities in respect of amounts withheld.
4. The balance of any payment made after deduction of the thirty (30) per cent. withholding tax referred to in 3. above is considered to be unreported income for the Issuer and subject to Argentine income tax at thirty (30) per cent. rate.

BGN does not consider these consequences to be in the interests of the Issuer or the Holders.

The Board of Directors of BGN has determined that in order to allow the exercise of their rights by the Holders of Bearer Securities and to avoid the material adverse consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and BGN to provide for a procedure to exchange all the outstanding Securities for interests in a registered global certificate to be deposited and registered with the common depositary for Euroclear and Cedel Bank or its nominee (the "Registered Global Certificate") *ON OR BEFORE MAY 22, 1996.*

Accordingly, BGN, the Fiscal Agent and the Luxembourg Paying Agent have agreed to amend the Fiscal Agency Agreement in order to provide for the necessary amendments to such Agreement and its Terms and subscribe and deliver such other documentation as may be necessary or convenient to effect the exchange in accordance with the procedure described below.

After May 22, 1996, the Holder of Bearer Securities and/or the unmatured Coupons relating thereto will not be entitled to payments of principal or interest in respect of such Bearer Securities and/or unmatured Coupons unless and until such Bearer Securities and/or unmatured Coupons are surrendered for exchange in accordance with the Exchange Instructions below.

EXCHANGE INSTRUCTIONS

Except as provided in the following sentence, on May 22, 1996, each Bearer Security which is held through an account holder in Euroclear or Cedel Bank will be converted into and exchanged for an interest of an equal aggregate principal amount in the Registered Global Certificate to be held by and registered in the name of the common depositary for Euroclear and Cedel Bank or its nominee. Any beneficial owner of a Bearer Security so held through an account holder in Euroclear or Cedel Bank who does not wish such Bearer Security to be so converted and exchanged, should notify such account holder immediately.

Holders whose Bearer Security or Securities are not presently held through an account holder in Euroclear or Cedel Bank should deliver such Bearer Security or Securities, together with all unmatured Coupons appertaining thereto, to such an account holder immediately, in order to enable such account holder to effect a conversion and exchange of such Bearer Security or Securities for an interest of an equal aggregate principal amount in the Registered Global Certificate to be held by and registered in the name of the common depositary for Euroclear and Cedel Bank or its nominee.

Questions with regard to the information contained in this notice may be directed to:

Banco General de Negocios S.A.
Esmeralda 138, (1035) Buenos Aires, Argentina
Name: Marcelo Muiño
Telephone No.: +541-394-3861
Facsimile No.: +541-325-7983

The Bank of New York, London Branch
46 Berkeley St., London W1X 6AA, England
Name: Trevor Blewer
Telephone No.: +44-171-322-6337
Facsimile No.: +44-171-322-6044

Banque Internationale à Luxembourg S.A.
69 route d'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg
Name: Jean-Marc Richard or Christine Franckart
Telephone No.: +352-4590-4214
Facsimile No.: +352-4590-4227

BGN reserves the right to cancel the exchange of Bearer Securities for interests in a Registered Global Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as to make such an exchange in the manner provided herein, in the opinion of BGN and in its sole discretion, unnecessary or undesirable.

May 20, 1996

NOTICE TO BONDHOLDERS

U-Ming Marine Transport Corporation

(Incorporated as a company limited by shares in Taiwan, Republic of China)

US$30,000,000

1.5 per cent. Convertible Bonds due 2001

Change in ROC Law Relating to Bond Conversion

NOTICE IS HEREBY GIVEN that with effect from 03 March 1996, following a further amendment to the Regulations Governing Securities Investment by Overseas Chinese and Foreign Nationals and Procedures for Remittance ("Regulations"), a foreign investor holding overseas convertible bonds and intend to exercise the conversion will have to appoint a local agent who shall then, on behalf of the Bondholder, apply for the conversion of the bonds into common shares (or Entitlement Certificates) of the issuing companies, open a securities trading account with a local brokerage firm, act as custodian for the securities received, pay ROC taxes, make confirmation and settlement, remit funds, exercise shareholders' rights, and to perform any such other matters as may be authorized by the converting bondholder. Further to our Notice dated 21 July 1995. The new Regulations have revised to the effect that the issuing companies are no longer required to designate such local agents.

As required by the Securities and Exchange Commission ("SEC"), the appointed local agent must be a financial institution approved by the ROC Ministry of Finance ("MOF") to engage in agency business. The Bondholders should also consult their local agents in connection with the opening of a securities trading account and a New Taiwan dollar account for the securities transactions.

Bondholders should refer to the terms and conditions pertaining to the conversion as contained in the Offering Circular and Indenture should they wish to exercise the conversion. After conversion, the bondholder will receive Entitlement Certificates rather than actual shares which will be separately traded. Under the current ROC laws and regulations, the issuing company will issue shares at least once a year to replace the Entitlement Certificates.

Date: 21 May 1996

The Financial Times plans to publish a Survey on

Spain

on Monday, June 24.

The survey will focus on the policies of the new administration ● The challenge faced by the country of monetary union ● Spain's privatisation programme, banking, competition and much more ● Its music and dance culture.

For further information, please contact Ewa Placzek-Neves on +44 0171 873 3725, Fax: +44 171 873 3204 or Edward Macquisten on +34 1 377 0061 or Fax: +341 377 0062.

FT Surveys

BOSTON STRATEGIC INCOME FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42218

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON STRATEGIC INCOME FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 2.30 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting:

(I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV; on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON INCOME INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25255

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 10.00 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering was made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

4,485,000 Shares

FUISZ TECHNOLOGIES LTD.

Common Stock

Price $25 per Share

Smith Barney Inc.

Alex. Brown & Sons INCORPORATED

Lehman Brothers

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

2,200,000 Shares

The Vincam Group, Inc.

Common Stock

Price $15 per Share

Smith Barney Inc.

Alex. Brown & Sons INCORPORATED

Hambrecht & Quist LLC

BT Securities Corporation | Donaldson, Lufkin & Jenrette Securities Corporation | Merrill Lynch & Co.

Oppenheimer & Co., Inc. | PaineWebber Incorporated

Robertson, Stephens & Company LLC | Robert W. Baird & Co. Incorporated

George K. Baum & Company | Brean Murray, Foster Securities Inc. | Crowell, Weedon & Co.

First Equity Corporation of Florida | Janney Montgomery Scott Inc. | C. L. King & Associates, Inc.

Ladenburg, Thalmann & Co. Inc. | Needham & Company, Inc. | Rauscher Pierce Refsnes, Inc.

Raymond James & Associates, Inc. | The Robinson-Humphrey Company, Inc.

Sanders Morris Mundy Inc. | Unterberg Harris

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

8,331,204 Shares

Health Systems International, Inc.

Class A Common Stock

Price $30 per Share

1,666,240 Shares

These Shares are being offered in an international offering outside the United States and Canada by the undersigned.

Smith Barney Inc.

Dillon, Read & Co. Inc. (London)

Dean Witter International Limited

Robertson, Stephens & Company LLC

Salomon Brothers International Limited

Volpe, Welty & Company

ABN AMRO Hoare Govett | Robert Fleming & Co. Limited

Nikko Europe PLC | Vereins- und Westbank Aktiengesellschaft

6,664,964 Shares

These Shares are being offered in a concurrent offering in the United States and Canada by the undersigned.

Smith Barney Inc.

Dillon, Read & Co. Inc.

Dean Witter Reynolds Inc.

Robertson, Stephens & Company LLC

Salomon Brothers Inc

Volpe, Welty & Company

Bear, Stearns & Co. Inc. | CS First Boston | Morgan Stanley & Co. Incorporated

Sanford C. Bernstein & Co., Inc. | Hanifen, Imhoff Inc. | Josephthal Lyon & Ross Incorporated

Piper Jaffray Inc. | Shattuck Hammond Partners Inc.

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 27278

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 11.30 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

COMPANIES AND FINANCE: UK

Railtrack investors reap £100

By Charles Batchelor, Transport Correspondent

Shares in Railtrack, the privatised UK railway line utility, leapt sharply on their first day of trading yesterday to give the average private shareholder an immediate profit of more than £100.

Analysts reported strong demand from institutions and private investors keen to top up their holdings in the company which has taken over the ownership of British Rail's stations, track and signalling. Sixty per cent of Railtrack's 11,000 staff applied for shares, the company said.

The shares started trading at 223p, 23p higher than the 200p first instalment from institutions.

Private investors made a first payment of 190p for their shares. They rose to a mid-morning high of 237p, and after falling back to 216½p rallied to close at 220½p. Shares amounting to 16 per cent of Railtrack's equity were traded.

The closing price represented a a 16 per cent increase for private investors and a 10 per cent rise for institutions. Private investors who received the average allocation of 350 shares were sitting on a paper profit of £106.75p before dealing costs at yesterday's close.

"The shares started above our expectations. We had forecast 210p-215p," said Mr David Myrddin-Evans of Kleinwort Benson. "There are plenty of incentives for investors to hang on until the dividend payment [in March] but in the longer term there are political uncertainties."

The main sellers of Railtrack shares were smaller institutions which had their applications scaled down and did not want to build larger holdings through market purchases, said one analyst.

Private investors sold fewer shares than was usual in privatisation issues, while demand was stronger than expected, said Mr Justin Urquart-Stewart of Barclays.

The Labour party continued its attack on the flotation. "Labour will not allow the misuse of taxpayers' money," said Ms Clare Short, transport spokesman. "It will use the power of regulation, subsidy and ownership to ensure the travelling public gets the railway network Britain needs."

But Mr Robert Horton, Railtrack chairman, said the company already had to work within a very tight regulatory framework. "I am sure there are people who are uneasy [about the sale] but I ask them to be a little bit patient and see how much better, in terms of reliability and punctuality, the railways will become."

Sir George Young, transport secretary, said he was delighted with the level of demand for Railtrack's shares. "This enthusiastic response demonstrates investor confidence and provides a solid platform for Railtrack's future in the private sector."

Ford UK incurs £213m loss as competition bites

By Haig Simonian, Motor Industry Correspondent

Ford Motor, the UK subsidiary of the US vehicles group, reported a deep loss last year because of severe competition in the new car market and the lower value of sterling against the D-Mark.

Ford of Britain announced a pre-tax loss of £213m ($324m) compared with profits of £25m in 1994. Sales rose to £6.4bn ($9.9bn).

The company blamed the decline on the competitive car market, with manufacturers offering big discounts to fleet buyers.

Purchases by retail customers remained depressed. Ford's market share in 1995 declined from 21.9 per cent to 21.1 per cent, while sales of its cars dropped 1.9 per cent to 410,722 units.

The 9 per cent fall in the average value of sterling against the D-Mark raised the price of the large proportion of components imported from Germany.

Production was disrupted by revisions to the popular Fiesta and Escort models, and the company bore the costs of launching the Galaxy multi-purpose vehicle.

Ford of Britain warned that the UK market for cars and commercial vehicles was likely to remain extremely competitive this year and forecast no significant increase in sales.

Registrations of new Ford cars in the first four months of 1996 slipped marginally to 142,000 units (142,500), falling to keep pace with the slight rise in the UK market. That reduced Ford's share to 20.5 per cent, compared with 21.5 per cent in the same period last year.

However, the company said it hoped new model launches and revisions would help lift sales this year.

The new Ka compact hatchback is due to reach the showrooms in the autumn, and a revised version of the Mondeo mid-sized range should also be introduced.

Ford said it would keep up efforts to improve productivity both internally and at its suppliers.

CTR faces £20m fees bill for shake-up

By Geoff Dyer

Central Transport Rental, the trailer rental group formerly known as Tiphook, faces a £20m ($30.4m) bill for professional fees as a result of financial restructuring proposals unveiled last week.

The bill is comparable to the annual professional fees paid by Eurotunnel, the Anglo-French group which is currently negotiating a restructuring of £8.4bn debts with its 225 banks.

The size of the bill angered shareholders in CTR, which has a market capitalisation of £15.5m. One of CTR's institutional investors said: "It is water under the bridge now, but it seems an extraordinary amount of money to be paying."

CTR, which nearly collapsed because of huge debts two years ago, said the fees for lawyers, bankers and accountants were so high because it had taken 18 months to negotiate the plan.

Mr Ian Chubb, CTR's executive chairman, said that the proposals represented "one of the most complicated financial restructurings" in corporate history.

Negotiations had to be conducted both with the group's five banks and a committee representing US bondholders. The proposals, which involve US bankruptcy laws, then had to be approved by both the London Stock Exchange and the US's Securities and Exchange Commission and were redrafted several times.

An adviser to the group said the final document "is the size of a telephone book".

Under the plan the banks and bondholders will swap £213m of debt, 45 per cent of CTR's borrowings, for new shares, which could leave existing shareholders owning only 15 per cent of the equity.

Virgin Direct expansion

By Motoko Rich

Virgin Direct, a joint venture between Mr Richard Branson's Virgin Group and Australian Mutual Provident Society, Australia's largest life assurer, is expanding into term assurance and health insurance.

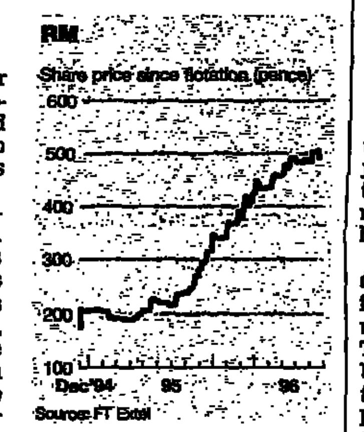
The venture, which already sells personal equity plans by telephone, will begin offering life insurance and health and critical illness cover to its existing Peps customers and launch the plans to the public on June 9.

With the Peps, Virgin Direct has provided an "execution only" service without advice on the products. But with the life products customers will be offered some advice.

Mr Rowan Gormley, managing director of Virgin Direct, said its "Survival Plan" provided the best of both permanent health insurance and critical illness plans. Prospective customers should be able to receive a quote within 10 minutes of calling the service.

RM gains outpace growth of market

By Paul Taylor



RM, the supplier of computer software, services and equipment to education, outpaced the growth of the IT market to yesterday report strong gains in profits and sales.

The group, which has benefited from a marked shift in the education market towards IBM-compatible machines capable of running Microsoft's Windows based software, reported a 27 per cent increase in pre-tax profits to £1.32m ($2m) in the six months to March 31, on sales up 34 per cent to £45.2m.

RM's business usually shows a pronounced seasonal pattern, with profits and sales heavily weighted towards the second half. Nevertheless Mr Mike Fischer, chief executive, expressed satisfaction with the performance in the first half.

"During the six months RM achieved a rate of growth that outpaced the market for IT in education," he said.

Turnover grew in all segments of the education market served by RM. Sales to secondary schools increased 17 per cent, boosted by the group's new networking products, while sales to primary schools grew 49 per cent partly reflecting the success of the RM Window Box product. Sales in the colleges and universities sector rose 63 per cent and RM has won a £2m contract to equip Welsh primary schools with computers.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Trust	6 mths to Mar 31	9.17	(8.2)	3.38	(2.75)	2.89	(2.44)	1	July 17	0.7	-	2.5
Antonovϕ	Yr to Dec 31	-	(0.324)	1.79	(1.52)	2.71L	(2.57L)	-	-	-	-	-
British Airways	Yr to Mar 31	7,760	(7,177)	585♥	(327♠)	49.4	(26.2)	9.8	July 31	8.9	13.65	12.4
Countryside	6 mths to Mar 31	78.5	(79.6)	1.03	(2.31)	1.1	(2)	0.75	Sept 4	1.41	-	2.8
ERF	Yr to Mar 30	217.6	(202.4)	1.82♥	(2.28)	11.77	(16.75)	2.5	Aug 15	2.5	4.5	4.5
Floral Streetϕ	6 mths to Mar 31	8.07	(6.12)	0.323	(0.260)	11.2†	(11)	-	-	-	-	1
Manx & Overseasϕ	6 mths to Mar 31	4.96	(4.72)	0.274♠	(0.394♥)	0.42†	(0.59)	-		-	-	0.325#
Mid-States	3 mths to Mar 31	19.4	(19.6)	0.74	(1.05)	0.9†	(1.3)	-	-	-	-	nil
Nat Home Loans	6 mths to Mar 31	21.3	(21.9)	6.2	(6.1)	9.3†	(13.1)	1.1	July 31	nil	-	nil
Research Machines	6 mths to Mar 31	45.2	(33.6)	1.32	(1.04)	5	(4.2)	1.8	July 5	1.5	-	6
SEC	6 mths to Mar 31	24.5	(11.9)	1	(0.463)	4.44	(1.78)	2	July 1	1.5	-	3.75
Seton	Yr to Feb 29	84.9	(61.3)	14.55	(10.8)	21.5†	(21.2)	5.5	July 31	4.87	7.9	6.9
Tom Cobleigh	Yr to Mar 30	19.3	(14.8)	2.23♠	(1.61♥)	7.49	(7.28)	1.6	Aug 19	-	1.6	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Inca	6 mths to Mar 31	31.4	(28.78)	0.074L	(0.058L)	0.09L	(0.07L)	nil	-	nil	nil	nil
F&C Income Growth	Yr to Mar 31	105.9	(94.8)	1.47	(1.46)	3.41	(3.41)	1.15	June 28	1.15	3.4	3.25
Johnson Fry Second	Yr to Dec 31	-	(-)	-	(-)	-	(-)	1.72✱	July 15	1.6	-	6.8
Johnson Fry Utils	Yr to July 31	-	(-)	-	(-)	-	(-)	1.78©	July 15	1.72	-	7.66
Schroder Split	Yr to Jan 31	-	(-)	-	(-)	-	(-)	2✱	June 28	1.9	-	7.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. §USM stock. ‡Increased share capital. #Gross. ✱First interim. ©Third interim.

BOSTON ARGENTINE INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 39909

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON ARGENTINE INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 12.00 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

The Financial Times plans to publish a Survey on

Turkey

on Monday, June 3.

The survey will evaluate the expectations of the Customs Union established on 1st January, the Turkish financial system, their political situation, foreign policies, and industry.
For further information, contact Kirsty Saunders on Tel: +44 171 873 4823, Fax: +44 171 873 3204 or overseas Ciro Costante on Tel: +90 212 279 2648 or Fax: 90 212 264 1761.

FT Surveys

NOTICE OF EARLY REDEMPTION ON 24TH JUNE, 1996

BARCLAYS

BARCLAYS BANK PLC
£50,000,000 Floating Rate Senior Subordinated Bonds due 2001

NOTICE IS HEREBY GIVEN that Barclays Bank PLC (the "Company") will on 24th June, 1996 redeem all of the outstanding £50,000,000 Floating Rate Senior Subordinated Bonds due 2001 of the Company (the "Bonds") pursuant to Condition 4(b) of the Terms and Conditions of the Bonds. The Bonds will be redeemed at their principal amount together with interest thereon accrued to the said date of redemption. The amount of accrued interest payable in respect of each Bond of £1,000,000, calculated in accordance with the said Terms and Conditions, will be £35,042.89.

Payments of principal and interest in respect of the Bonds will be made against surrender of Bonds at the specified office of the Paying Agent, by pounds sterling cheque drawn on a bank in London or by transfer to a pounds sterling account with a bank outside the United States, subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment (but without prejudice to the provisions of Condition 6 of the said Terms and Conditions). Save as provided in the said Terms and Conditions, interest on the Bonds will cease to accrue as from the said date of redemption.

PAYING AGENT
Barclays Bank PLC
54 Lombard Street
London EC3P 3AH

21st May, 1996

Barclays Bank PLC

National Australia Bank

National Australia Bank Limited
(Incorporated with limited liability in the State of Victoria and registered in the Commonwealth of Australia)

U.S. $500,000,000
FLOATING RATE NOTES DUE 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.39609% and that the interest payable on the relevant Interest Payment Date August 21, 1996 against Coupon No. 2 will be US$13.79 in respect of US$1,000 nominal of the Notes, US$137.90 in respect of US$10,000 nominal of the notes and US$1,379.00 in respect of US$100,000 nominal of the Notes.

May 21, 1996
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Avco Trust PLC
(Incorporated with limited liability in England and Wales under the Companies Act 1948. Registered number 721502)
An authorised institution under the Banking Act 1987

£75,000,000
Guaranteed Floating Rate Notes due 1998

Notice is hereby given that the Rate of interest for the interest period May 20, 1996 to August 20, 1996 has been fixed at 6.25% and that the interest payable on the relevant Interest Payment Date August 20, 1996 against Coupon No. 5 will be £157.10 in respect of £10,000 nominal of the Notes, and £1,571.04 in respect of £100,000 of the notes.

May 21, 1996
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

BOSTON BRAZIL INVESTMENT FUND

Société d'Investissement à Capital Variable
RC Luxembourg B 41963 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV *that the SECOND extraordinary shareholders' meeting shall be held before notary, at 69 route d'Esch, on June 6,* 1996 at 3.30 p.m. local time with the following agenda:

1. Amendment of Article 1 to replace the current name by "BOSTON INTERNATIONAL FUND II, SICAV".
2. Amendment of Article 3 sentence 1 to be reworded as follows:
   "The object of the Company is to place the funds available to it in various securities, money market instruments, deposits, liquid assets and other financial instruments, with the purpose of spreading investment risk and affording its shareholders the results of the management of the Company's portfolio".
3. *Amendment* of Article 5 paragraph 3 to be reworded as follows:
   "The initial subscribed capital was one million five hundred thousand (1.500.000.-) US Dollars divided into fifty thousand (50.000) fully paid Class B shares of no par value of Boston Brazil Investment Fund - Equity, currently Boston International Fund II - Brazil Equity".
4. Amendment of Article 5 paragraph 7 to start the paragraph with the following sentence "Shares are issued in registered book entry form" and to replace the reference to "four decimal places" by a *reference to* "three decimal places".
5. Amendment of Article 11 to delete the third paragraph.
6. Amendment of Article 12 *paragraph* 2 to complete it in fine by "except as otherwise agreed upon with the creditors".
7. Amendment of Article 16 paragraph 5 to substitute the reference to "fifteen days" by a reference to "five business days".
8. *Amendment* of Article 17 paragraph 2 line 11 to delete the reference "in Brazil" and to replace it by "...or is a holiday in Luxembourg or elsewhere".
9. Amendment of Article 17 paragraph 6 to be read as follows:
   "The value of the assets of the Company is determined for each Class of shares of each Subfund pursuant to the following rules which may be applied to one or several Subfunds, depending on the specific investment policy of the relevant Subfund and subject to the valuation guidelines that the Board of Directors *shall determine from time to time*".
10. Amendment of Article 17 paragraph 6 point 1) to be completed in fine as follows:
    "1) Securities listed on an official stock exchange or traded on another organized market or on an organized over-the-counter market may also be valued on the base of the last known sales price. If the same security is quoted on different markets, the quotation of the main market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be done in good faith by the Board of Directors or its designee with a view to establishing the probable sales price for such securities; unlisted securities are valued on the basis of their probable sales price as determined in good faith by the Board of Directors or its delegate".
11. *Amendment of Article 17* paragraph 6 point 4 to add in fine:
    "Money market instruments held in certain Subfunds may be valued on the basis of the last available official quotation".
12. Amendment of Article 17 paragraph 6 to add in fine the following paragraphs:
    7) certificates of deposit held in certain Subfunds may be valued at their market value; other liquid assets are valued at their nominal value plus accrued interest;
    8) forward contracts are valued at the *mid-market exchange rate prevailing on the Valuation Date for the remaining period to maturity of the* contracts; such valuation is based upon the world-wide interbank currency markets".
13. Amendment of Article 17 paragraph 7 to be reworded as follows:
    "For the assets which are not denominated in the Subfund's Base Currency the conversion shall be done on the basis of the mid-market exchange rate or on the basis of the Median Exchange Rate (as defined in the Prospectus) for such currency on the Valuation Date pursuant to the Board of Directors' decision".
14. Amendment of Article 18 paragraph 1 to replace the reference to "eight business days" by a reference to "five business days".
15. Amendment of Article 19 paragraph 1 to be reworded as follows:
    "The Company shall bear all *fees connected with its establishment as well as the fees to be paid to the Investment Advisor, the Investment Manager,* the Custodian, the Administrative Agent, and the Register and Transfer Agent as well as any fees due to any other service provider appointed by the Board of Directors".
16. Amendment of Article 23 paragraph 2 and 3 to be reworded as follows:
    "A Subfund *may be terminated by resolution of the Board of Directors of the Company if the Net Asset Value of a Subfund is below US$ 10.000.000.-* or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military emergencies. In such events, the assets of the Subfund will be realized, the liabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions where the Company is registered as the Directors may determine. No share shall be redeemed or converted after the date of the decision to liquidate a Subfund.

    A Subfund may be merged with another Subfund by resolution of the Board of Directors of the Company if the value of its net assets is below US$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the *Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions in which the Company is registered as the Directors may* determine. Each shareholder of the relevant Subfund shall be given the possibility, within a period of one month as of the date of the publication or the notice, to request either the repurchase of its shares, free of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his shares shall be bound by the decision relating to the merger".
17. *Amendment of Article 23 to be completed in fine by the following paragraphs:*
    "A Subfund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Company in the event of *special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing* market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund. In such events, notice will be given in writing to registered shareholders and will be published in the Lxemburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of the publication or the notice to request free of any charge, the repurchase of its shares. At the close of such period, the contribution shall be binding for all shareholders who did not request a redemption. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Luxembourg investment *fund, the valuation of the Subfund's assets shall be verified by an auditor who shall issue a written report at the time of the contribution.*

    A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the *contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund*".
18. To resolve that the Class B shares of BOSTON BRAZIL INVESTMENT FUND - EQUITY are becoming Class B shares of BOSTON INTERNATIONAL FUND II - BRAZIL EQUITY.

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represent and voting at the meeting.

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON U.S. GOVERNMENT INCOME FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 26470

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary *shareholders' meeting of April 24, 1996, notice is hereby given to* the Shareholders of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June *6, 1996 at 11.00 a.m.* local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON *PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON* GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable *with registered office at 69, route* d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the *Board of Directors in relation to the merger proposal* (the "*Merger Proposal*").

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to *approve and ratify the* Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - *U.S. GOVERNMENT INCOME, in exchange for the contribution of all assets and liabilities* of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME FUND *for each cancelled* Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT *FUND*, SICAV in the *proportion* of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of *BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of* BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - *INTERNATIONAL EQUITY INVESTMENT in exchange for* the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL *EQUITY INVESTMENT* for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC *GROWTH INVESTMENT* FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH *INVESTMENT FUND, SICAV;*
- *BOSTON INTERNATIONAL* FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new *Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled* Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - *GLOBAL CAPITAL APPRECIATION* in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each *cancelled Class* B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, *SICAV in the proportion* of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.
Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the *Company at least 48 hours* before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- *the three* last annual financial reports with management reports of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC *INCOME* FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON *EQUITY INVESTMENT* FUND, SICAV, BOSTON *INCOME INVESTMENT* FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT *FUND, SICAV, BOSTON* GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the *report* of the independent auditor, Coopers & Lybrand, *with respect* to the Merger Proposal.

By order of the Board of Directors

BOSTON EUROPEAN BOND FUND

Société d'Investissement à Capital Variable
RC Luxembourg B 42.216 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON EUROPEAN BOND FUND, SICAV that the SECOND extraordinary shareholders' meeting shall be held before notary, at 69 route d'Esch, on June 6, 1996 *at 9.00 a.m. local time with the following agenda:*

1. Transformation of BOSTON EUROPEAN BOND FUND into an umbrella structure (SICAV à compartiments multiples) to be named BOSTON INTERNATIONAL *FUND I, SICAV and subsequent amendments of the articles of incorporation as hereinbelow described.*
2. Amendment of Article 1 to replace the current name by "Boston International Fund I, Sicav".
3. *Amendment of Article 5 paragraph 1 to substitute the reference to "the net assets of the Fund" by a reference ot "the net assets of all Subfunds".*
4. Amendment of Article 5 paragraph 2 to replace the reference to "ECU" by a reference to "US Dollars".
5. Amendment of Article 6 paragraph 3 to substitute "will be" by "was".
6. Amendment of Article 5 paragraph 7 to replace the reference to "four decimal places" by a reference to "three decimal places".
7. Amendment of Article 5 to add in fine the following paragraph:
   "Shares may be of different Subfunds as the Board of Directors shall determine and the proceeds of the issue of shares of each Subfund shall be invested *pursuant to Article 3 hereof* in transferable securities corresponding to such geographical areas, industrial sectors or monetary zones and to such specific types of equity or debt securities as the Board of Directors shall from time to time determine".
8. *Amendment of Article 7 paragraph 5 sentence 1 to be reworded as follows:*
   "Each share of each Class in each Subfund is entitled to one vote regardless of the Net Asset Value of such share within the relevant Class and Subfund".
9. Amendment of Article 7 to add in fine the following paragraph:
   "*Resolutions concerning the interests of the shareholders of the Fund shall be taken in a general meeting and resolutions concerning the particular* rights of the shareholders of one specific Subfund shall be taken by that Subfund's General meeting".
10. *Amendment of Article 11 paragraph 3* to *replace the reference* to "*non-European OECD countries*" *by a reference to* "*North and South America,* Asia, Africa, Australia or New Zealand".
11. Amendment of Article 11 paragraph 4 to be reworded as follows:
    "In accordance with Article 43 of the law of 30 March 1988 relating to undertakings for collective investments, the Fund may invest up to 100% of the net assets of each Subfund in transferable securities issued or Member State or by public international bodies of which one or more E.U. member States are members or by the Argentine government on the condition that the respective Subfund's net assets are diversified on a minimum of six separate issues, and each issue may not account for more than 30% of the total net assets of the Subfund".
12. Amendment *of* Article 11 paragraph *5 line 1* to *insert* the reference to "more than 5% of the net assets of each Subfund".
13. Amendment of Article 11 to complete it in fine by the following paragraph:
    "In addition, the board of Directors shall be empowered to create at any time new Subfunds investing in transferable securities".
14. Amendment of the heading of Article 16 which shall read "Redemption and Conversion of shares".
15. Amendment of Article 16 paragraph 3 line 2 to read:
    "*...Net Asset Value for the relevant Class of the relevant Subfund*".
16. Amendment of Article 16 paragraph 5 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".
17. Amendment of Article 16 last paragraph to substitute "the total net assets of the Fund" by "the total net assets of a Subfund".
18. Amendment of Article 16 in fine to add the following paragraph:
    "Any shareholder may request conversion of all or part of his shares, with a minimum amount of shares which shall be determined by the Board of Directors from time to time, into shares of any class of the same Subfund or of any other Subfund, in each case at the respective net Asset Value of *the shares being sold and the shares being purchased quoted on the day of conversion, by written instructions addressed to the registered office of* the Fund or at the office of the person or entity designated by the Fund as its agent of the conversion of shares. The relevant Net Asset Value for each Class of shares of each Subfund shall be the Net Asset Value determined on the Valuation Date following the date of receipt of the conversion request or, if such date is a Valuation Date, the Net Asset Value determined on the subsequent Valuation Date. Such conversion shall be free of any charge except that normal costs of administration may be levied".
19. Amendment of Article 17 paragraph 2 and paragraph *3 indent 1-2-3-4*, paragraph *6, 8 and 9 to substitute*, where appropriate, the reference to "the Fund" by a reference to "Subfund" and to add, where appropriate, a reference to "each" or "such Subfund" in paragraph 10.
20. *Amendment of Article 17 paragraph 3 line 3 to read:*
    "...the issue, redemption and conversion thereof...".
21. Amendment of Article 17 paragraph 5 to be reworded as follows:
    "The Net Asset Value of each Class of shares of each Subfund shall be expressed in the currency of the relevant Subfund as a per share figure and shall be determined on any Valuation Date by dividing the value of the net assets of the Subfund corresponding to each Class of shares, being the value of the assets of the Subfund less its liabilities at the time determined by the Board of Directors or its duly authorised designee on the Valuation Date, by the number of shares of the relevant Subfund then outstanding in such Class".
22. Amendment of Article 17 paragraph 6 point 1) to replace the reference to "in non-European OECD countries" by a reference to "In North or South America, Asia, Africa, Australia or New Zealand":
23. Amendment of Article 17 paragraph 7 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".
24. Amendment *of Article 19 paragraph 1 to be reworded as follows:*
    "The Fund shall bear all fees connected with its establishment as well as the fees to be paid to the Investment Manager, the Investment Advisor, the *Custodian, the Administrative Agent and the Registrar and Transfer Agent as well as any fees due to any other service provider appointed by the* Board of Directors".
25. Amendment of Article 19 to complete it in fine by the following paragraphs:
    "Any costs incurred by the Fund which are not attributable to a specific Subfund will be charged to all Subfunds in proportion to their net assets. Each Subfund will be charged with all costs and expenses directly attributable to it.
    The Fund shall be liable for debts to its creditors on all its assets, regardless of the particular Subfund to which the debts may relate, except as otherwise agreed upon with the creditors.
    For the purpose of the relations between the shareholders, each Subfund will be deemed to be a separate entity with, but not limited to, its own contribution, capital gains, losses, charges and expenses".
26. Amendment of Article 20 to delete the last sentence of paragraph 1 and to add a 2nd paragrah worded as follows:
    "Financial statements for each Subfund shall be established in the currency in which it is denominated. To establish the balance sheet of the Fund, those different financial statements will be added together after conversion into the currency of the capital of the Fund."
27. Amendment of Article 22 paragraph 1 sentence 2 and 3 to substitute the reference to "ECU" respectively by a reference to "US Dollar (sentence 2) and to the Subfund Base Currency (sentence 3)".
28. Amendment of Article 22 paragraph 1 sentence 2 and paragraph 2 to substitute the reference to "the Fund" by a reference *in* paragraph 1 sentence 2 to "any Subfund" and in paragraph 2 to "the Subfunds".
29. *Amendment of the heading of Article 23 to be read "Liquidation of the Fund or of a Subfund" and of Article 23 itself to be completed as follows:*
    "A Subfund may be terminated by resolution of the Board of Directors of the Fund if the Net Asset Value of a Subfund is below US$ 10.000.000.- or its equivalent *in any other currency or in the event of special circumstances beyond its control,* such as political, economic, military emergencies. In such events, the assets of the Subfund will be realized, the liabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered *shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions where the Fund is* registered as the Directors may determine. No shares shall be redeemed or converted after the date of the decision to liquidate a Subfund.

    A Subfund may be merged with another Subfund by resolution of the Board of Directors of the Fund if the value of its net assets is below US$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, *notice of the merger will be given in writing to the registered shareholders* and will be *published* in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions in which the Fund is registered as the Directors may determine. Each shareholder of the relevant Subfund shall be given the possibility, within a period of one month as of the date of the publication or the notice, to *request either the repurchase of its shares, free of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund* not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his shares shall be bound by the decision relating to the merger.

    A Subfund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Fund in the event of special *circumstances* beyond its control *such as political, economic or military emergencies or if the Board should conclude,* in light of prevailing market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund. In such events, notice will be given in writing to *registered shareholders and will be published in the Luxemburger Wort as well as in such other newspapers as determined from time to time by the* Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of publication or the notice to request, free of any charge, the repurchase of its shares. At the close of such period, the contribution shall be binding to all shareholders who did not request a redemption. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Luxembourg investment fund, the valuation of the Subfund's assets shall be verified by an auditor who shall issue a written report at the time of the contribution.

    A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the *contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund*".
30. To resolve that the Class B shares of BOSTON EUROPEAN BOND FUND are becoming Class B shares of BOSTON INTERNATIONAL FUND I - EUROPEAN BOND.

There will be no quorum requirement and the resolutions will be passed by a majority *of* 2/3 of the shareholders present or represented and voting at the meeting.

The shareholders on record at the date of the *meeting* are entitled to vote or *give proxies*.

Proxies should arrive at the registered *office* of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON MULTI-CURRENCY FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 30223

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of *BOSTON MULTI-CURRENCY FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary* on June 6, 1996 at 4.30 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON INTERNATIONAL FUND II, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;
- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each cancelled Class B share of BOSTON LIQUIDITY *MANAGEMENT FUND, SICAV;*

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.
Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the *Merger Proposal;*
- the three last annual financial reports with management reports of BOSTON MULTI-CURRENCY FUND SICAV, BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON BRAZIL INVESTMENT FUND, SICAV;
- the reports of the Board of Directors of BOSTON MULTI-CURRENCY FUND SICAV, BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON BRAZIL INVESTMENT FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

COMMODITIES AND AGRICULTURE

Plunging copper drags other metals down with it

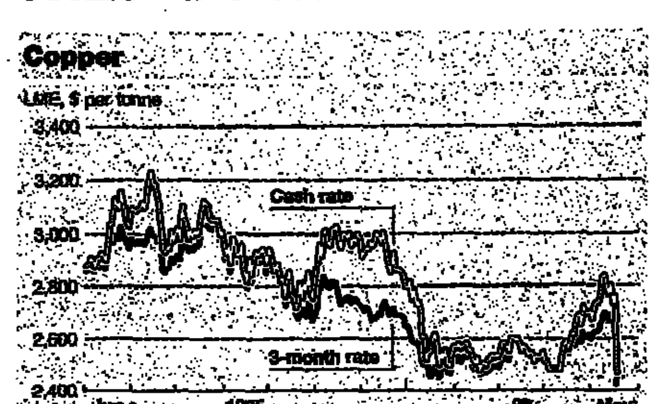
By Kenneth Gooding, Mining Correspondent

The unprecedented plunge in copper prices on the London Metal Exchange continued yesterday, taking aluminium, nickel, lead, tin and zinc down with it.

At one point yesterday copper for delivery in three months had dropped by 12 per cent in only two trading days. "Once they had finished selling copper some people sold every other metal in sight because they feared there might have been a fundamental change in the metals markets," said Mr Wiktor Bielski, analyst at Bain & Co, part of the Deutsche Bank group.

But the atmosphere of panic did not prevail and the markets steadied in late trading yesterday. "This was to be expected because copper had gone from over-bought to over-sold in the quickest time ever," Mr Bielski pointed out.

Copper's sharp fall started on Friday amid various rumours about potential over-supply and a rise in LME stocks. Traders suggested that two US hedge funds issued orders to brokers to sell huge quantities of copper. The equivalent of 100,000 tonnes was sold on Friday and a similar amount was disposed of early yesterday, they said, leading to some of the liveliest scenes ever witnessed in the LME's open outcry ring.



In early trading yesterday copper for delivery in three months dropped by another US$142 a tonne to $2,375, its lowest for 21 months. Consumer buying, which helped to stop the rout in all the metal markets, then helped copper to recover and it closed at $2,428.50 a tonne, down $84.50.

Today all market eyes will be on the LME copper stock figures which are expected to show a fall. "A decrease in stocks could offer copper some respite following the excessive declines of the last couple of trading sessions," Mr Martin Squires, analyst at Rudolf Wolff, part of the Noranda group, suggested.

Among the other LME metals, aluminium was hardest-hit yesterday, three-month metal falling by 5 per cent to a 21-month low of $1,535 a tonne at one point before recovery took it back to $1,580.25 at the close.

Mr Nick Hatch at the Flemings Global Mining Group, said: "While it is fair to have suspicions that copper was being manipulated upwards and deserved to fall, the drop in other metals prices was just a knee-jerk reaction. . . There has been no fundamental change in the global economic outlook, which is looking pretty robust".

Drought casts shadow over UK crops

In parts of East Anglia rainfall since the start of this year is 70 per cent below normal

The rain that fell in modest amounts across much of the UK last weekend was welcome. It freshened dusty fields and left some moisture on the surface of the soil. But it did little to correct the sizeable moisture deficit that had built up over many months of cool, dry weather.

That, anyway, is the situation here in Norfolk. And from personal observation as I have travelled around the country, I know it to be substantially true of most of the eastern half of England. In the north and in Scotland there has been plenty of rain; in the west and in parts of the south of England precipitation has been adequate. But in the bread basket of East Anglia many cereal crops are beginning to show signs of drought stress.

To put that into perspective let me explain that here on our farm in central Norfolk we have had only about six inches of rain since winter-sown cereals began to be planted last September. Were we to have the local average annual rainfall of around 23 inches for the 12 months to next September, an inch a week would need to fall through the entire summer. Past experience suggests that this is highly unlikely to happen.

FARMER'S VIEWPOINT

By David Richardson

To put it another way, on this farm we have had only about 30 per cent of normal average rainfall since the start of the year and almost none since the crucial period of spring planting and fertilising. This has meant, in many cases, that seed germination has been patchy and that granules of nitrogen fertiliser spread on to the land in March and early April had not, until the past few days, been washed into the soil and down to plant roots. Such crops have therefore been starved of the main nutrient needed to promote growth. The combination of this with lower than average temperature has left them looking thin, yellow and pretty sick.

Worst of all are late planted autumn cereal crops whose development has been retarded more than early sowings. The cold, dry weather has favoured the development of fungal diseases such as mildew on these late crops and growers now face difficult decisions. Should they treat them with fungicides in the hope of controlling the diseases and improving yield potential, or should they assume that yields will be well down whatever is done and compensate in advance for the expected lower outturn by cutting input costs and not spraying? Decisions will depend on moisture and warmth levels over the next couple of weeks. For May is the month when adequate moisture is most important to potential yield.

Hereabouts, however, the spring soil moisture deficit is close to four inches in spite of recent rain and some of our crops are beginning to show it. A near neighbour is said to have reviewed his budgets last week and reduced his anticipated cereal yields by 30 per cent. I hope he has been too pessimistic but fear he may be about right.

Farming friends visiting Britain from France, Germany and Scandinavia last week told me that they had similar worries about the cereal crops across some of their main arable production areas – though Spain and Portugal have had more rain than usual.

Root crops like potatoes and sugar-beet are not yet at such critical stages of growth or moisture demand. But they too have been retarded by the cold dry spring. As plants begin to increase in size and leaf area they will need more moisture and most specialist potato growers, in particular, will be planning to irrigate. Already, however, water authorities are beginning to talk of imposing irrigation restrictions or bans to save water for domestic and industrial use. Should such restrictions occur during the summer yield and supply potential for potatoes together with those for many other vegetable crops could be seriously affected.

Moreover, as some people have already commented, it is difficult to escape comparisons with the spring of 1976. Mature readers will remember the sugar shortage of that year caused by a combination of widespread drought across the beet growing areas of Europe, excessively high temperatures during the summer and attacks by aphids – insects that carry the debilitating sugar beet disease, virus yellows.

The main differences between 1976 and 1996 however, are that this spring has been cooler and although this has slowed growth it has, paradoxically, caused less early damage than would have been done by a hot spell. Moreover, the likelihood of serious aphid attack is thought to be quite low this year because fewer of them than usual survived the cold winter. Furthermore, sugar stocks are not at the critically low levels they were in 1976.

Nevertheless, we appear to be heading for reduced harvests of some key crops across the main production areas of Europe. As I indicated in this column a couple of weeks ago, the situation across much of the midwest of the US is similar and carryover stocks of cereals in particular are at dangerously low levels.

The US has already abandoned cereal acreage set-aside for good, while the European Union has recently confirmed that it intends to retain it as a means of controlling production.

Ultimately, however, the climate may dictate the policy. Without substantial rain and higher temperatures across much of Europe during the next few weeks we could, by July and August, be contemplating a much depleted harvest.

Hamanaka rumours helped to trigger sales

By Kenneth Gooding, Mining Correspondent

It says a great deal about the influence Mr Yasuo Hamanaka is perceived to have had on global copper trading that rumours he was to leave his job at Sumitomo Corporation in Japan helped to trigger big sales of the metal on the London Metal Exchange.

The rumours suggested that Sumitomo had become tired of being mentioned every time something untoward happened to the LME's "flagship" copper contract and that it would in future concentrate solely on trading physical copper. The prospect of the Japanese group unwinding all its futures contracts helped to fuel the panic that has been a feature of the copper market for the past two trading days.

Sumitomo confirmed yesterday that Mr Hamanaka is changing his role within the corporation, where he was previously in charge of copper trading, and will no longer supervise day-to-day copper operations. But it said his role had been widened and he had become assistant to the non-ferrous divisions general manager. From now on he would handle big metal projects, a Sumitomo official explained. His successor, Mr Takayuki Kameoka was from the copper tubing division and well versed in futures trading techniques.

Sumitomo is one of the world's leading traders of physical copper, handling between 500,000 and 750,000 tonnes a year for clients, mainly in Asia and the Far East but increasingly in Europe too. Like many other Japanese corporations, Sumitomo is forbidden to speculate in commodities markets. Nevertheless, it does hedge its copper market dealings by trading futures and options along with buying copper for immediate delivery. In this way it exerts a tremendous influence on the market.

Sumitomo was first in the spotlight during the LME copper market squeeze in 1993 but Mr Hamanaka denied manipulation was going on. At that time Mr Hamanaka's name was frequently linked with that of Mr Charlie Vincent, half-owner of the Winchester Commodities group, one of the UK metal brokers used by Sumitomo. Coincidentally, Mr Vincent gave up his directorship of Winchester last month.

Norway's Fountain Oil signs up for $40m joint operating deal in Albania

By Marianne Sullivan in Tirana

Albania's state oil company, Albpetrol, and Fountain Oil of Norway signed a 50-50 joint operating agreement on Friday for the Gorisht-Kocul oil field in south-west Albania. The deal foresees a $20m investment on Fountain's part over the next four to five years.

Mr Arild Boe, Fountain's executive vice president for production, says he expects output from the field to triple from less than 1,500 barrels a day to about 3,500 b/d. Recovery, Mr Boe says, will increase ten-fold with the planned rehabilitation of oil wells and enhanced recovery scheme.

To increase production in the field, which has a strong oil-water content, he says, Fountain plans to drill 50 horizontal wells over the next four to five years. The oil field, discovered in 1967, has reserves estimated at about 30m barrels.

The agreement still has to receive final approval from the Albanian council of ministers. Fountain has agreed, after this approval, to secure financing for Albpetrol to meets the costs of its 50 per cent of the deal. According to Mr Boe, Fountain is in discussions with the European Bank for Reconstruction and Development on the provision of this financing. Otherwise, he says, Fountain will finance the Albpetrol investment and recover the cost through production profits.

This is the second joint operating agreement undertaken by Albpetrol. The first, with Premier Oil, Anglo-Albanian Petroleum, for rehabilitating existing oil fields and raising production in the southern Patos Marina oil field, is still in the experimental phase.

Officials from Albania's National Petroleum Agency say a similar agreement is ready to be signed with the Australian Kitari Group for the Ballsh and Cakran fields.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1545.5-6.5	1580-0.5
Previous	1588.5-9.5	1622-3
High/low		1625/1535
AM Official	1518-20	1553-4
Kerb close		1577-8
Open int.	216,815	
Total daily turnover	117,817	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1296-301	1335-40
Previous	1330-40	1370-80
High/low		1342/1300
AM Official	1270-85	1310-25
Kerb close		1320-30
Open int.	5,239	
Total daily turnover	2,062	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	831-2	827-8
Previous	841-3	838-9
High/low		840/811
AM Official	815-6	813-4
Kerb close		821-2
Open int.	35,496	
Total daily turnover	9,191	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7940-50	8045-50
Previous	7985-95	8090-100
High/low		8120/7900
AM Official	7825-30	7930-35
Kerb close		8050-60
Open int.	41,830	
Total daily turnover	17,889	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6195-205	6230-40
Previous	6285-95	6320-25
High/low	6170/6160	6320/6120
AM Official	6175-80	6190-95
Kerb close		6190-200
Open int.	17,464	
Total daily turnover	8,768	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1028-9	1055-6
Previous	1037-8	1063-4
High/low		1065/1049
AM Official	1023-4	1052-4
Kerb close		1055-6
Open int.	71,396	
Total daily turnover	15,093	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2472-7	2428-9
Previous	2570-75	2512-4
High/low	2420/2400	2525/2375
AM Official	2400-05	2390-2
Kerb close		2419-20
Open int.	184,816	
Total daily turnover	169,192	

■ LME AM Official £/$ rate: 1.5125
LME Closing £/$ rate: 1.5133

Spot: 1.5125 3 mths: 1.5103 6 mths: 1.5068 9 mths: 1.5076

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	116.40	-4.20	121.00	114.00	1,956	3,639
Jun	113.80	-4.50	118.00	112.00	520	3,496
Jul	111.20	-4.40	118.00	108.50	22,992	20,800
Aug	110.30	-3.75	112.00	109.00	21	732
Sep	109.40	-3.00	112.00	107.50	1,702	5,338
Oct	108.70	-2.75	110.00	108.00	60	513
Total					30,804	203,221

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.10-391.50		
Opening	391.70-392.10		
Morning fix	391.65	259.028	494.854
Afternoon fix	390.85	258.345	493.175
Day's High	391.70-392.10		
Day's Low	390.50-390.90		
Previous close	391.90-392.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.57	6 months	4.30
2 months	4.48	12 months	3.97
3 months	4.46		

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.65	529.00
3 months	354.20	535.10
6 months	358.75	541.45
1 year	368.45	565.00

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	258-260
Maple Leaf	401.90-404.45	-
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	390.6	-1.6	-	-	-	-
Jun	391.3	-1.7	393.3	391.1	23,036	69,589
Jul	392.7	-1.8	-	-	-	-
Aug	394.3	-1.8	396.1	394.0	6,413	41,212
Oct	397.0	-1.8	397.6	397.0	127	5,900
Dec	399.7	-1.8	400.5	399.5	876	33,126
Total					30,604	203,221

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	398.5	-2.7	402.0	398.1	4,364	20,027
Oct	401.5	-2.7	403.0	401.5	243	4,160
Jan	404.2	-2.7	-	-	3	982
Apr	406.9	-2.7	408.5	407.0	72	1,481
Total					4,682	26,650

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	129.00	-4.25	131.50	128.50	465	3,788
Sep	130.20	-4.35	133.00	130.00	223	4,410
Dec	131.15	-4.50	131.75	131.75	1	578
Total					689	8,776

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	524.2	-6.0	527.0	526.0	78	136
Jun	525.4	-6.2	-	-	-	3
Jul	527.5	-6.2	534.5	527.0	21,156	65,362
Sep	532.7	-6.3	536.5	532.0	982	14,367
Dec	540.4	-6.3	543.5	540.0	365	10,059
Mar	548.1	-6.3	549.0	549.0	47	3,678
Total					22,859	99,532

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.62	+0.98	21.85	19.85	40,157	41,559
Jul	20.25	+0.81	20.45	18.80	45,812	93,232
Aug	19.58	+0.72	19.75	18.15	14,701	55,190
Sep	19.01	+0.61	19.25	17.85	7,196	35,145
Oct	18.80	+0.63	18.85	17.72	1,407	22,250
Nov	18.60	+0.60	18.60	17.80	1,052	17,338
Total					120,536	425,136

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	18.33	+0.79	18.45	16.78	39,475	94,406
Aug	17.93	+0.71	18.05	16.58	9,452	29,248
Sep	17.72	+0.69	17.72	16.69	3,377	12,312
Oct	17.56	+0.67	17.55	16.50	1,525	8,729
Nov	17.25	+0.50	17.25	16.40	99	5,056
Dec	17.15	+0.52	17.15	16.30	457	12,634
Total					N/A	N/A

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	54.60	+1.68	55.10	51.50	7,771	17,308
Jul	52.80	+1.46	53.35	50.00	4,848	19,519
Aug	52.40	+1.36	52.75	49.70	3,025	14,382
Sep	52.80	+1.46	53.10	50.00	1,687	9,301
Oct	53.30	+1.41	53.60	51.00	747	5,038
Nov	53.90	+1.41	54.00	51.40	98	5,298
Total					21,311	169,329

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	161.25	-	161.50	155.25	13,570	14,943
Jul	158.00	+0.50	158.25	152.00	6,599	10,163
Aug	157.00	-0.25	157.25	150.75	1,638	6,213
Sep	157.75	+0.25	157.75	153.00	653	4,002
Oct	158.00	-	158.25	154.00	192	1,882
Nov	158.25	-0.25	157.00	157.00	3	1,417
Total					24,819	40,672

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.330	+0.048	2.340	2.310	9,917	24,032
Jul	2.405	+0.071	2.415	2.360	5,950	27,972
Aug	2.410	+0.073	2.415	2.365	2,128	17,118
Sep	2.345	+0.058	2.345	2.320	748	15,738
Oct	2.315	+0.034	2.325	2.305	484	11,950
Nov	2.345	+0.033	2.345	2.325	218	8,435
Total					28,528	151,616

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	66.20	+2.17	65.90	61.00	18,398	22,749
Jul	63.20	+2.12	63.70	59.20	9,579	19,974
Aug	60.70	+1.77	61.20	57.50	5,109	14,618
Sep	58.85	+1.65	59.00	55.60	534	4,087
Oct	54.00	-0.20	56.00	53.50	11	1,516
Nov	52.20	-0.35	52.20	52.20	68	1,043
Total					33,982	66,547

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	125.75	+0.10	126.00	125.40	11	26
Jul	127.75	-	128.00	127.25	59	1,691
Sep	115.40	-1.10	116.25	115.25	61	380
Nov	117.35	-0.95	118.00	117.25	251	3,167
Jan	119.40	-1.00	119.50	119.25	37	998
Mar	121.35	-1.05	121.60	121.25	-	145
Total					429	6,498

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	625.00	-51.00	666.00	621.00	32	194
Jul	595.00	-4.00	598.50	576.00	15,406	55,945
Sep	581.75	-3.00	586.00	575.00	2,680	16,613
Dec	587.00	-4.00	590.00	580.00	3,169	18,377
Mar	576.00	-3.50	581.50	575.00	113	1,529
May	523.00	-6.00	523.00	523.00	21	175
Total					21,493	94,415

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	529.00	+0.25	530.00	505.00	497	1,393
Jul	503.00	-1.50	506.00	492.50	35,843	158,073
Sep	418.75	-12.00	421.00	418.75	20,987	78,386
Dec	349.50	-12.00	355.00	349.50	39,177	154,139
Mar	354.75	-11.75	357.00	354.50	1,634	18,574
May	357.00	-12.00	357.50	357.00	392	2,786
Total					160,658	429,205

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	118.15	+0.65	116.00	116.00	33	90
Sep	106.50	-1.50	-	-	-	86
Nov	110.40	-1.00	110.50	110.25	24	612
Jan	113.25	-	-	-	-	126
Mar	114.50	-	-	-	-	41
Total					57	933

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	800.00	-11.75	802.50	792.50	890	598
Jul	806.00	-12.75	815.00	796.00	28,894	78,955
Aug	805.00	-13.00	810.00	796.00	1,692	12,586
Sep	785.50	-11.25	789.00	779.00	925	6,970
Nov	773.75	-10.25	778.50	763.00	14,493	77,864
Jan	779.00	-10.50	782.00	773.00	409	7,233
Total					48,317	196,111

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	26.50	-0.64	26.95	26.30	232	319
Jul	26.74	-0.68	27.30	26.45	6,459	52,766
Aug	26.94	-0.64	27.20	26.70	705	11,510
Sep	27.13	-0.60	27.32	26.80	287	5,880
Oct	27.20	-0.62	27.40	27.05	327	4,326
Dec	27.55	-0.51	27.75	27.26	1,217	19,781
Total					9,253	98,872

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	245.0	-3.8	245.7	242.5	710	909
Jul	247.9	-4.0	251.8	245.5	11,752	50,475
Aug	247.9	-4.2	249.0	245.0	2,406	11,586
Sep	245.8	-3.5	245.2	243.5	585	7,495
Oct	242.5	-3.5	242.3	240.5	450	3,593
Dec	242.9	-2.8	243.0	240.5	2,712	18,509
Total					18,793	98,867

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	225.0	-	-	-	-	-
Nov	82.5	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	121.5	-4.5	125.0	122.0	61	1,053
May	141.0	-	-	-	-	-
Total					61	1,053

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1383	-17	1380	1385	28	643
Jun	1268	-7	1275	1268	18	579
Jul	1221	-11	1230	1220	53	2,030
Oct	1330	-8	1335	1330	27	1,239
Jan	1364	+1	-	-	-	53
Apr	1355	-10	-	-	-	32
Total					126	4,589

	Close	Prev
BFI	1409	1417

FUTURES DATA
All futures data supplied by CMS.

Tea
The Tea Broker's Association reports, strong general demand continued. Landed bright liquoring East Africans sold well and prices frequently advanced 1 to 2 pence. Mediums also met good competition at fully firm to dearer rates. Offshore active demand with prices often dearer. Quotations: best available 142p/kg., good 130p/kg., good medium 121p/kg., medium 112p/kg., low medium 90p/kg. (nom). The highest price realised this week was 142p/kg. For a Kenya pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1089	-35	1100	1083	22	53
Jul	1112	-26	1131	1108	1,717	22,115
Sep	1131	-22	1149	1127	1,325	46,045
Dec	1053	-13	1065	1049	1,415	29,214
Mar	1042	-9	1052	1037	1,233	34,180
May	1051	-8	1058	1048	161	19,280
Total					6,069	163,619

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1371	-38	1400	1350	6,004	32,490
Sep	1394	-38	1403	1368	1,465	19,761
Dec	1405	-35	1421	1401	832	18,364
Mar	1422	-18	1430	1417	194	13,521
May	1440	-28	1455	1440	12	6,075
Jul	1453	-28	-	-	-	5,634
Total					7,572	98,845

■ COCOA (ICCO) (SDR's/tonne)

May 17	Price	Prev. day
Daily	1080.72	1088.52

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	2013	+5	2024	2010	124	1,203
Jul	1933	-21	1959	1930	2,505	16,719
Sep	1919	-29	1950	1917	452	7,210
Nov	1913	-28	1944	1910	53	3,034
Jan	1890	-35	1920	1889	30	1,796
Mar	1865	-38	-	-	-	779
Total					3,184	30,741

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	127.00	-2.80	130.50	126.50	137	146
Jul	126.00	-2.65	128.45	123.90	3,754	19,209
Sep	124.90	-2.45	127.00	122.50	616	5,882
Dec	122.80	-1.85	124.75	121.00	223	2,951
Mar	121.50	-1.35	122.50	119.30	45	935
May	120.00	-2.25	120.00	120.00	19	337
Total					4,776	28,529

■ COFFEE (ICO) (US cents/pound)

May 17	Price	Prev. day
Comp. daily	113.51	113.76
15 day average	112.29	112.21

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	382.8	-1.0	384.0	381.0	1,013	10,650
Oct	349.8	-0.7	351.0	349.1	202	5,784
Dec	337.8	-0.8	339.5	337.5	139	3,472
Mar	331.8	+0.2	334.0	331.0	120	3,295
May	329.9	+0.5	333.0	330.0	4	1,183
Aug	328.6	+0.2	330.0	329.8	12	305
Total					1,487	24,688

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.50	+0.08	11.59	11.30	26,114	57,256
Oct	10.91	+0.05	10.95	10.77	6,619	37,898
Mar	10.84	-0.01	10.87	10.78	5,059	28,648
May	10.79	+0.02	10.80	10.72	1,622	8,779
Jul	10.73	-	10.74	10.65	801	5,048
Oct	10.67	-	10.69	10.62	583	2,136
Total					41,929	140,066

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	80.88	-0.32	81.45	80.75	6,637	24,223
Oct	80.88	-0.52	81.40	80.70	980	4,215
Dec	80.70	-0.53	81.15	80.50	3,050	28,442
Mar	81.53	-0.52	81.90	81.40	64	3,409
May	82.15	-0.45	-	-	11	1,558
Jul	82.45	-0.40	82.25	82.25	7	637
Total					10,728	64,771

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	120.50	-3.00	123.50	120.00	2,151	11,721
Sep	120.10	-2.65	122.50	119.75	341	4,573
Nov	118.25	-2.40	118.00	116.45	149	1,331
Jan	114.65	-1.85	115.75	114.20	141	3,081
Mar	116.45	-2.05	118.00	116.95	22	258
May	118.45	-2.05	-	-	20	150
Total					2,782	21,069

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 20	May 17	month ago	year ago
2122.6	2147.6	2115.6	2321.9

■ CRB Futures (Base: 1967=100)

May 17	May 16	month ago	year ago
259.59	259.73	257.62	233.47

■ GSCI Spot (Base: 1970=100)

May 17	May 16	month ago	year ago
207.61	208.00	208.09	182.78

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	58.875	-0.300	59.875	58.450	8,183	26,037
Aug	62.700	+0.225	63.250	61.950	3,836	28,283
Oct	64.575	-0.325	65.400	64.175	2,333	20,714
Dec	62.325	-0.375	63.000	62.250	977	10,633
Feb	61.575	-0.300	62.200	61.450	459	9,167
Apr	64.500	-0.100	64.950	64.500	71	2,052
Total					13,915	97,846

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	66.675	+0.550	66.725	65.550	4,239	14,450
Jul	62.100	+0.550	62.250	61.100	2,798	9,909
Aug	57.225	+0.450	57.250	56.150	1,254	6,424
Oct	52.425	+0.500	52.500	51.550	576	5,466
Dec	54.925	+0.175	54.925	54.350	670	5,856
Feb	74.900	-0.050	74.950	74.550	211	978
Total					9,886	44,045

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	89.850	+1.475	89.600	86.375	157	825
Jul	86.025	+2.000	86.025	82.350	2,122	6,217
Aug	82.525	+2.000	82.525	79.400	686	2,375
Feb	79.000	-0.300	79.350	77.400	99	537
Mar	79.950	-0.050	79.500	79.000	8	43
May	84.200	+2.000	82.000	81.000	2	58
Total					3,084	10,055

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	65	115	3	22
1600	8	56	46	62
1700	-	22	138	128

■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2300	161	131	3	49
2400	79	78	21	94
2500	27	42	69	157

■ COFFEE LCE	Jul	Sep	Jul	Sep
1900	106	163	73	164
1950	82	163	99	194
2000	63	145	130	226

■ COCOA LCE	Jul	Sep	Jul	Sep
875	237	261	76	15
900	212	239	96	20
925	187	217	118	26

■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1850	40	34	52	-
1900	-	20	-	-
1950	-	12	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.60-6.90x	+0.865
Brent Blend (dated)	$18.48-8.54	+0.505
Brent Blend (July)	$18.34-8.36	+0.72
W.T.I.	$20.29-0.31x	+0.865

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$225-227	-5
Gas Oil	$167-169	-1
Heavy Fuel Oil	$98-100	-2
Naphtha	$184-186	-2
Jet fuel	$165-167	
Diesel	$171-173	

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	9.70-10.00	+0.25

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$391.30	-0.75
Silver (per troy oz)♣	528.50c	-4.5
Platinum (per troy oz.)	$396.85	-5.15
Palladium (per troy oz.)	$130.25	-2.5
Copper	134.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.90r	-0.03
Tin (New York)	284.50	
Cattle (live weight)	99.43p	-4.18*
Sheep (live weight)	137.28p	-47.45*
Pigs (live weight)†	135.81p	+22.75
Lon. day sugar (raw)	$297.1	+7.8
Lon. day sugar (wte)	$405.5	+4.3
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	103.75p	
Rubber (Jul)♥	103.75p	
Rubber (KL RSS No1)	377.50m	
Coconut Oil (Phil)§	805.0v	
Palm Oil (Malay.)§	$540.0z	
Copra (Phil)§	$503.0z	
Soyabeans (US)	229.0z	-2.0
Cotton Outlook'A' Index	82.30c	
Wooltops (64s Super)	448p	-2.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z May/Jun. x Jul. y Apr/May. v Apr/Jun. w Jun/Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,260 head of pigs sold.

JOTTER PAD

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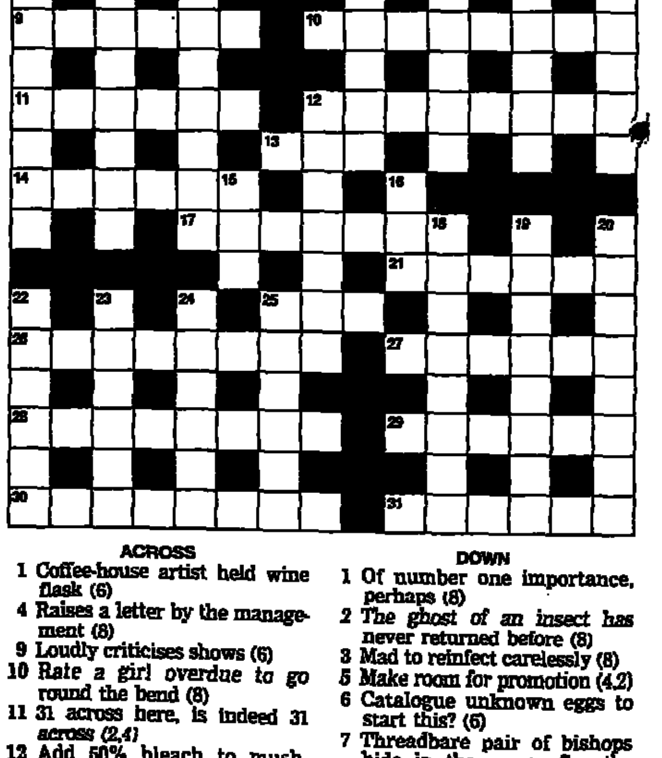
No.9,074 Set by PHSSTHPOK



ACROSS

1 Coffee-house artist held wine flask (6)
4 Raises a letter by the management (8)
9 Loudly criticises shows (6)
10 Rate a girl overdue to go round the bend (8)
11 31 across here, is indeed 31 across (2,4)
12 Add 50% bleach to mushrooms for a consumable product (8)
13 Drain the lifeblood (3)
14 Peculiar idea to have one executed in an epic (6)
17 Hear the signs - they crash together! (7)
21 A part of the body in charge of part of the brain (6)
25 Semi-albino has white clothing (3)
26 Inaccurate to go "pop" in an explosion (8)
27 Strong woman gives Latin man a trial (6)
28 Flower the French sell with hesitation (8)
29 Voluntarily give things away here (2,4)
30 Sure thing to be dissolved by a note (8)
31 This is indeed, when 11 across (6)

DOWN

1 Of number one importance, perhaps (8)
2 The ghost of an insect has never returned before (8)
3 Mad to reinfect carelessly (8)
5 Make room for promotion (4,2)
6 Catalogue unknown eggs to start this? (6)
7 Threadbare pair of bishops hide in the grass after the sabbath (6)
8 Strains with riddles (6)
12 Machinery made with two supporters (3,4)
15 Colour fade, say (3)
16 Letter is just an unlimited hello (3)
18 Wicked relative taken in (8)
19 The case is viable at amendment (8)
20 Instructed in ideology by a small man (8)
22 Currency initially dived on leaks limiting any revaluation (6)
23 Breaks in verses (6)
24 Conduit carries gas, say, around the same point twice (6)
25 Appearance of priest in a religious group (6)

Solution to Saturday's prize puzzle on Saturday June 1.
Solution to yesterday's prize puzzle on Monday June 3.

هكذا من الاعلى

ARIZONA

Bouncing back with new resilience

While urban sprawl threatens the desert environment, diversification of the economy is strengthening the state. Report by Christopher Parkes

Raising Arizona has been a messy business. But the conditions which governed the Grand Canyon state's stuttering post-war haul from economic obscurity no longer exist. The one-time business backbone of cyclical copper, cotton, citrus and federal defence contracts now plays a less prominent supporting role in a widely diversified economy.

The cheap-credit, speculative binge which spawned crisis in the late '80s has evaporated along with a dozen of its promoters in the savings and loans industry.

Gone, too, are the old-guard business and political leaders who presided over a property crash and the flight of thousands of skilled defence workers. The ashes-to-ashes scenario conjured up in the media has become redundant.

The number of businesses in Arizona grew 20 per cent in the first five years of this decade. Benefiting from the proximity to California's Silicon Valley, the state has attracted flocks of high-tech manufacturers, including Motorola, Intel, currently completing a giant chip plant, and Sumitomo Sitix. Local concerns in similar fields, such as Microchip Technology, have grown as a result of this enriched environment.

Arizona's job creation rate last year increased almost 5 per cent, with work found for 80,000. Payroll growth is slowing but is still expected to continue at more than double the national rate, according to Arizona State University.

The rise in wages is also forecast to slow, driving personal income growth to a mere 4.5 per cent this year after more than 9 per cent in 1995. Unemployment rates are consistently below the national average statewide, but only about 3.5 per cent in Maricopa County and the Phoenix area – home to 60 per cent of the population.

The one crucial economic indicator which seems guaranteed to keep rising is population, which is going up by more than 100,000 this year under the influence of a young, fertile population (half are under 44) and immigration.

The great undefinable – quality of life – draws most newcomers, be they companies or individuals. They come for open spaces, less stress than in most urban centres, a cost of living index 20-odd points lower than in California, and median home prices 15 per cent below the national average.

Many come with preconceptions which are quickly dispelled. By some accounts only one in every three immigrants stays. Some are driven out by intense summer heat. But the main cause, says Jerry Colangelo, Phoenix sports magnate, is that "there are no pots of gold to be found here".

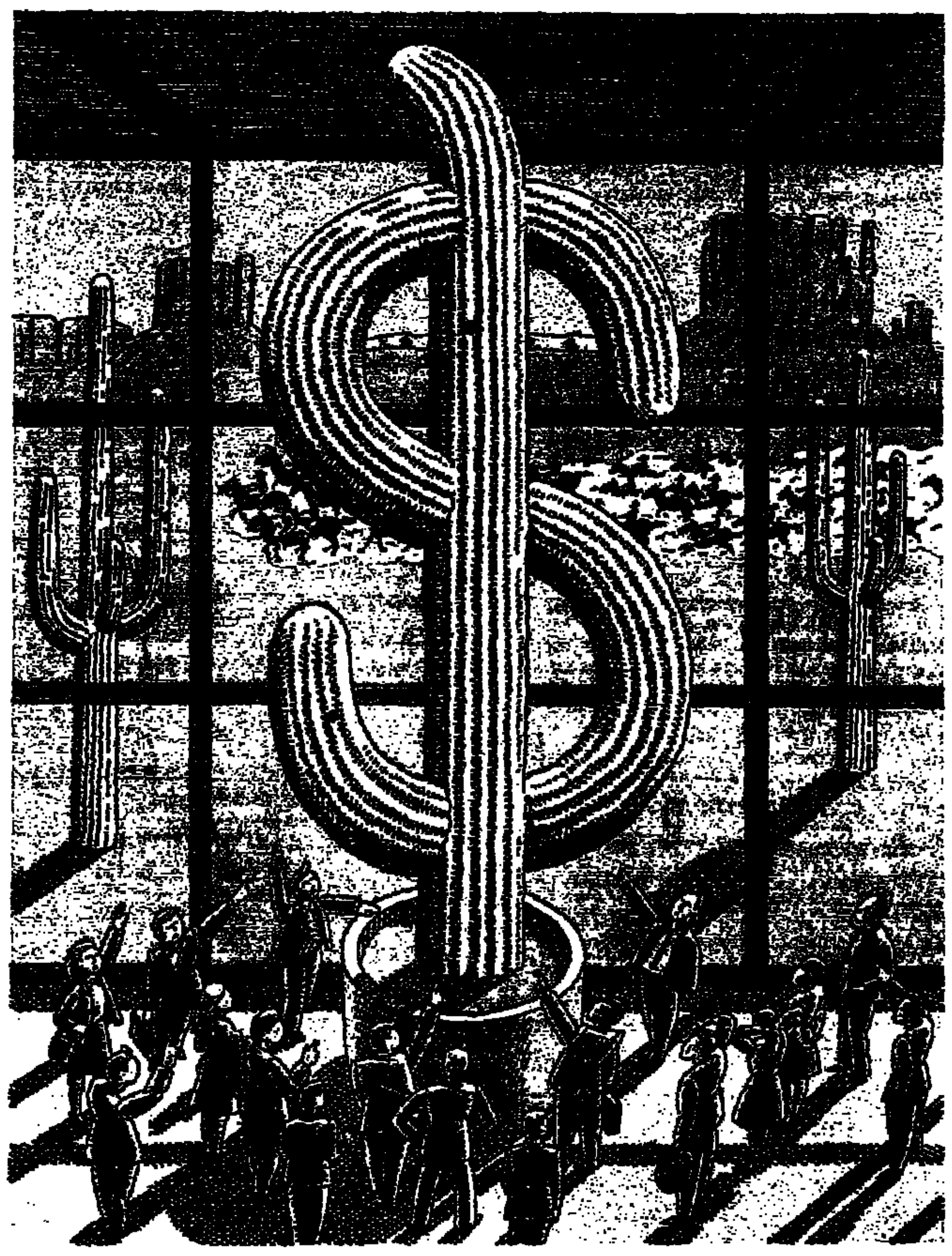
Behind these attractions, which help place Arizona with Nevada and Florida consistently among the fastest growing states in the US, lies the new resilience of the economy. Elliott Pollack, a private sector economist and real estate consultant, claims Phoenix has the most diversified base in the country.

Some 12 per cent of the jobs are in manufacturing and 40 per cent of those are in high-tech businesses, he says. Business services account for most of the 30 per cent of employment in the services sector at large, while mainstay tourism "is growing like wildfire".

Mr Pollack, who maintains a high profile in state business circles, can offer "no formulaic response" to why the place goes on growing. He includes the air of informality and government's positive attitude to business among the elements constituting quality of life. Former Californians add common civility, and frontier justice. "In LA if you shoot an intruder in your house, then you're in all sorts of trouble. Here, it's the intruder's problem," says one.

Ex-Manhattanite, Matt Crow, president of the Arizona Biltmore resort, offers an almost paradoxical opinion. "The driver of this economy is general affluence," he says. "People come here because they are rich enough to choose where they want to live."

The notion that the desirability of life in Arizona life is worth paying for and therefore makes for an employers' market in the pay stakes seems to be supported by data. Phoenix salaries for nationally sought-after employees such as computer programmers, software engineers and finance and accounting experts, are well below the national average.



According to one labour market pundit, part of the reason is the persistent perception of Phoenix as a small town with few corporate headquarters. "Smaller corporations can't afford top salaries," he said.

The region has also benefited from recession elsewhere, especially in California, source of almost 30 per cent of its annual immigration. But if national recovery gains pace, Arizona faces the prospect of some substantial wage inflation in its key new industries.

At the moment, this is not considered to be much of a priority, but it is yet another matter for concern on a growing list of the drawbacks, real and potential, associated with the fact that Phoenix is no longer a small town.

It is now the seventh largest city in the US, and is showing signs of growing pains. Its relatively disadvantaged low-income citizens, many crowded in the inner city, have no real public transport alternative to expensive cars to ferry them to and from their jobs.

Immigration, mainly from bordering Mexico, is bolstering the Phoenix area's Latino population rapidly towards 20 per cent of the total. Even in 1993, more than 15 per cent of the state population lived below the official poverty line, compared with 18 per cent in California and less than 10 per cent in arch-rival Nevada.

Despite "frontier justice" and the activities of Sheriff Joe Arpaio's innovative civilian posses, property crime rates are higher than in California, although violent crime is half as prevalent.

At an organisational level, the 20-odd municipalities of Maricopa County make for bureaucratic conflict and one of the most complex business and local tax environments in the country.

But top of this list of issues to be addressed is the cyclical surge of protest against urban sprawl. The debate is focused on an apocryphal claim that the desert environment Phoenicians say they love – and the tourists come to see – is being gobbled up by red-tiled bungalows, factories, offices and shopping malls at the rate of an acre every hour.

While there is probably an element of dog-in-the-manger-ism at work among locals who urge limits on growth, academic and business activists recognise that sprawl and its side-effects, including pollution and congestion, need to be addressed.

The region's economy is fast developing an internal dynamism which seems likely to maintain growth at high rates in the long term even if corporate immigration from other states slows as expected.

Elements fuelling growth range from the presence in Phoenix of teams and grand stadiums for America's four major league sports, to the international ambitions of the PetsMart retail chain.

After a long wait, Sky Harbor International Airport now draws direct long-haul flag-carrier flights from Germany and Britain. The inevitability of recovery in California, and expansion in Utah, Colorado and New Mexico will increase the regional market for Arizonan goods and services.

The new managers installed in established Phoenician corporations after the late '80s crunch, and the newcomers who came with the transplants, have seized the initiative. They are active in the search for answers to the problems caused by growth. They dominate co-ordinated development projects such as the Greater Phoenix Economic Council, named last year alongside Northern Development Company, of Newcastle, England, as one of the top 10 growth promotion bodies in the world.

They agree that part of Arizona's appeal lies in its pioneer ebullience, which may need discipline. "This place is like a two-year-old labrador," says the Biltmore's Mr Crow. "It thinks it's still a puppy, but it's a full-grown dog."

There is a danger that the sharpening debate over the state's economic policies and the management of growth may polarise opinion and divide the community.

As things stand, most indications suggest that Arizona – born, and now raised – is growing up.

IN THIS SURVEY

Editorial production: Sarah Murray
Front illustration: Robin MacFarlan
Design: Robin Coles

If high tech is your company's business, then your business should be in Arizona. Because we have the trained work force to help you grow to your maximum potential.

Almost 1,300 high-tech companies now call Arizona home. And nearly half our manufacturing employment is in high-tech sectors. That's 50% greater than the national average. Our high-tech work force is growing at one of the fastest rates in the country, assuring a strong future labor pool. Plus our universities and community colleges provide well-educated, skilled employees.

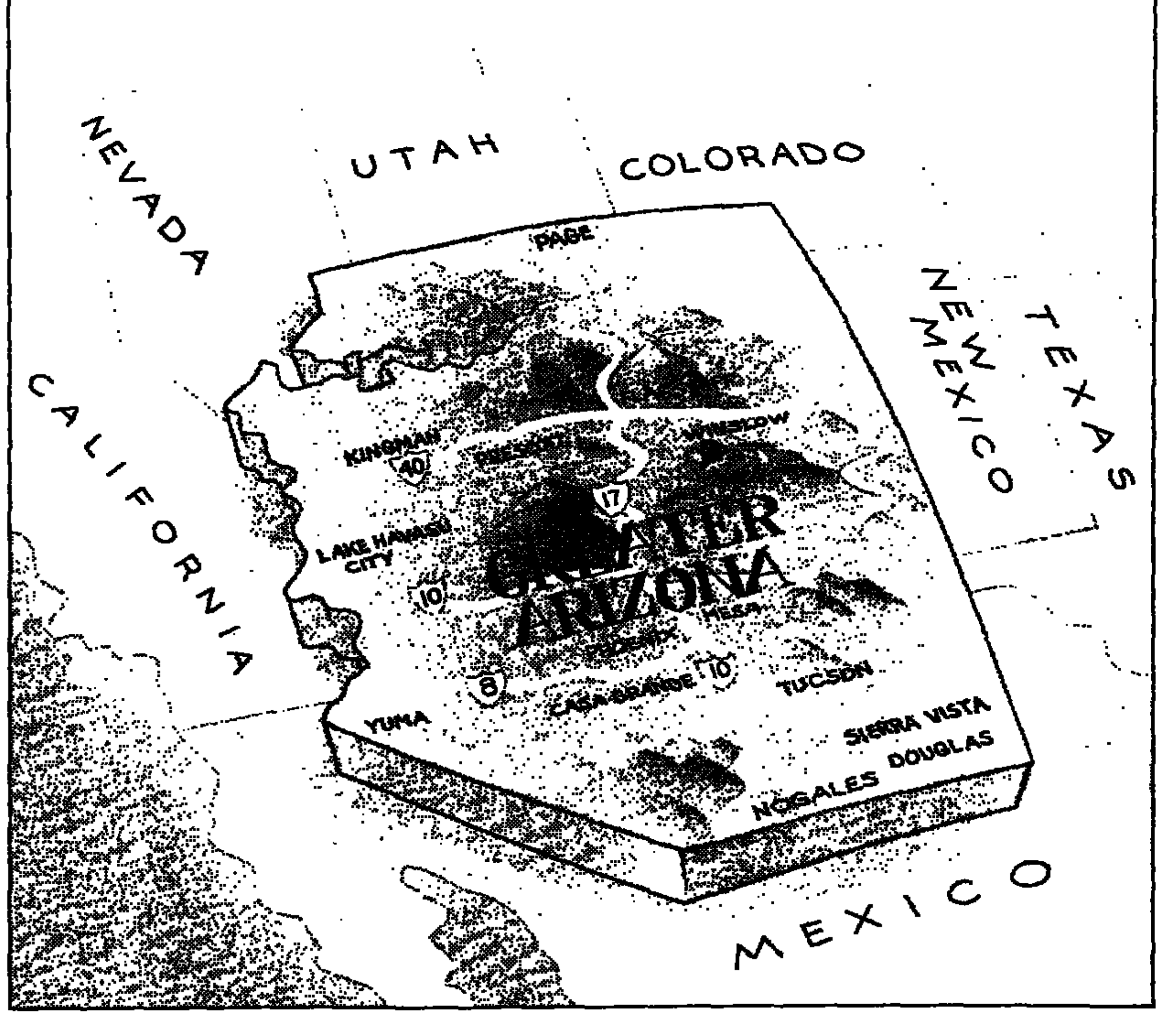
But that's not all. In Arizona, your company benefits from a "right-to-work" environment. A highly developed transportation system. And a sophisticated communications network.

So it's not surprising that corporations like Honeywell, Motorola, Intel and Microsoft have chosen Arizona as the place to grow.

Give your high-tech company the work force it needs to ensure its future growth. Just call the Arizona Department of Commerce at 1-800-528-8421 for more information and assistance.

Then start imagining your company's profits.

THERE'S NO BETTER PLACE TO GROW IN THE SOUTHWEST.



If you're interested in expanding or locating your business in the Southwest, then Greater Arizona should be at the top of your list. Greater Arizona has the locations, amenities and people you need to grow – and prosper.

Uncongested interstate highways and rail lines provide convenient access to the lucrative California market, the growing Southwest and Mexico. Operating costs are highly competitive. A quality infrastructure supports business and industry.

That's not all. In Greater Arizona, your company enjoys a "right-to-work" environment. A motivated work force. Special incentive programs. And an unparalleled quality of life.

Not surprising, more companies are locating or expanding to Arizona in the 1990s than any other state in the Southwest.

Give your business the climate it needs to thrive. Call the Arizona Department of Commerce. We'll help put your company in the state of growth.

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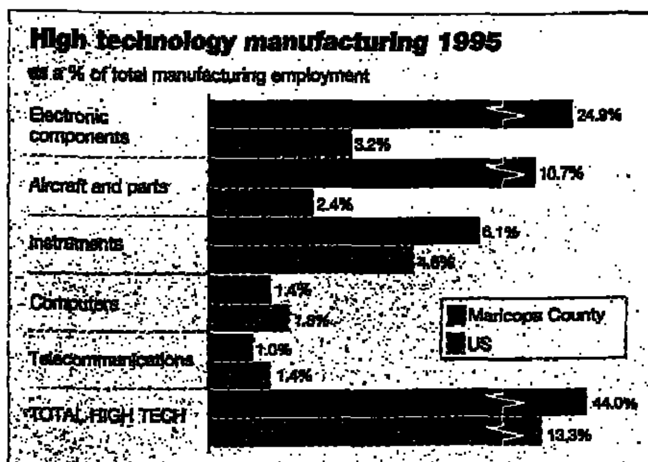
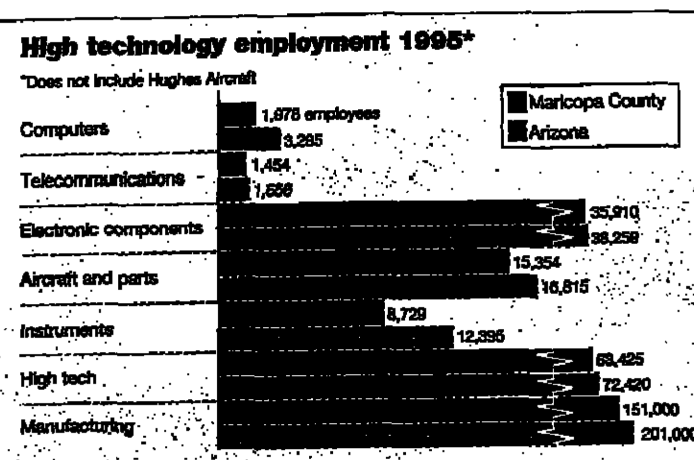
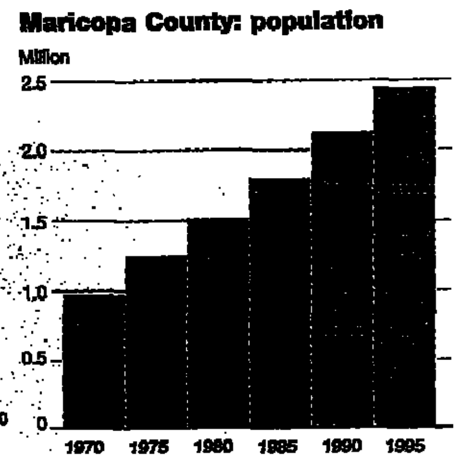
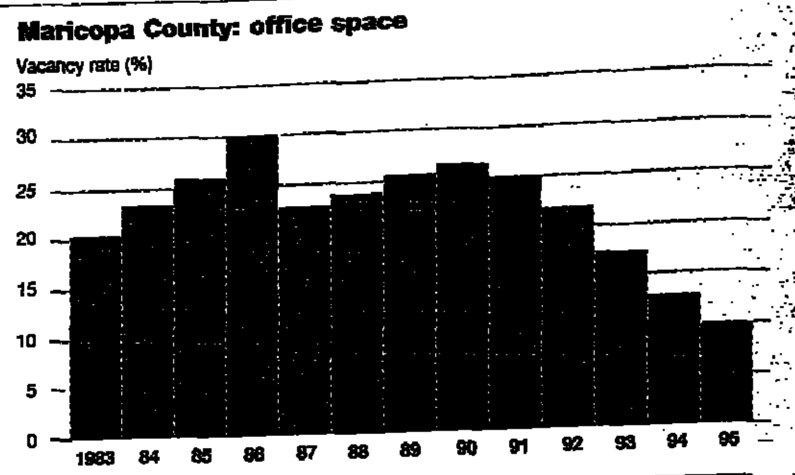
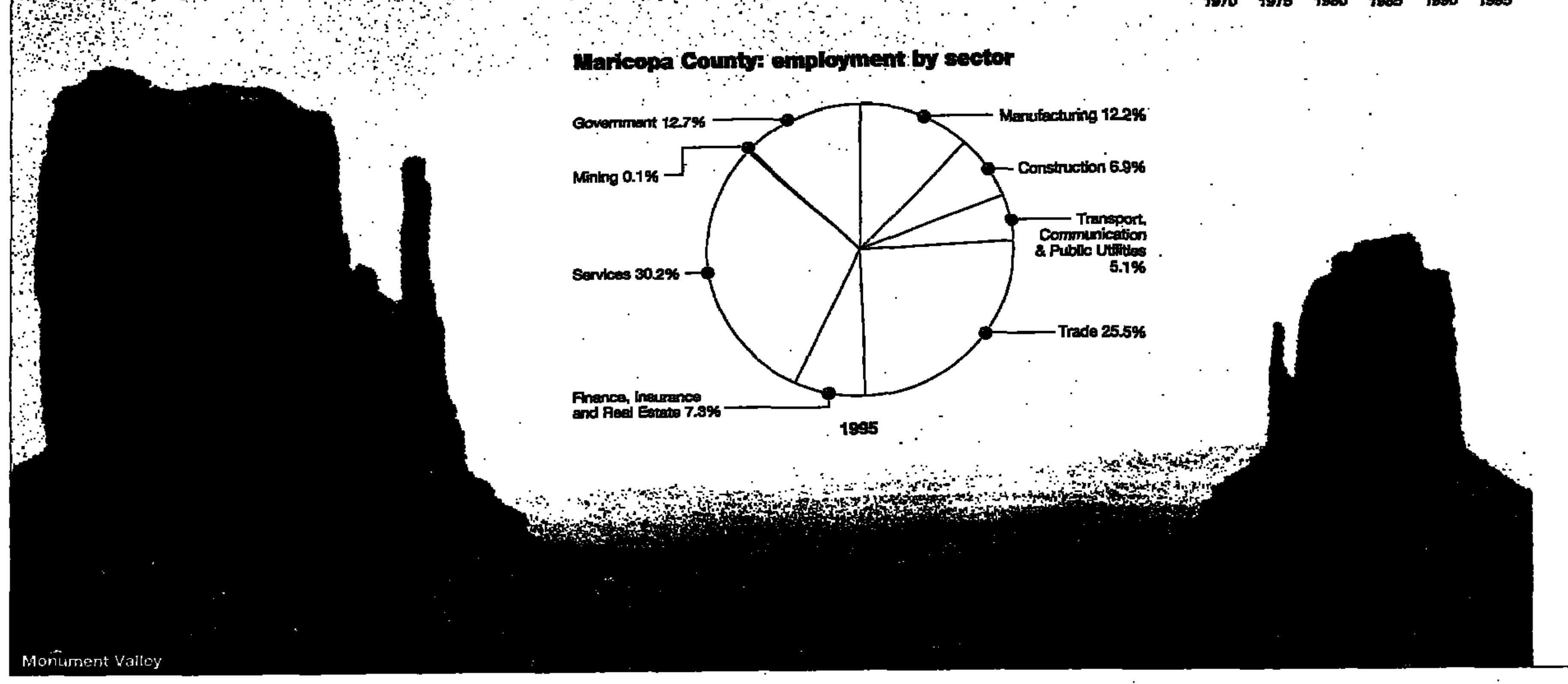
2 Arizona: Urban development



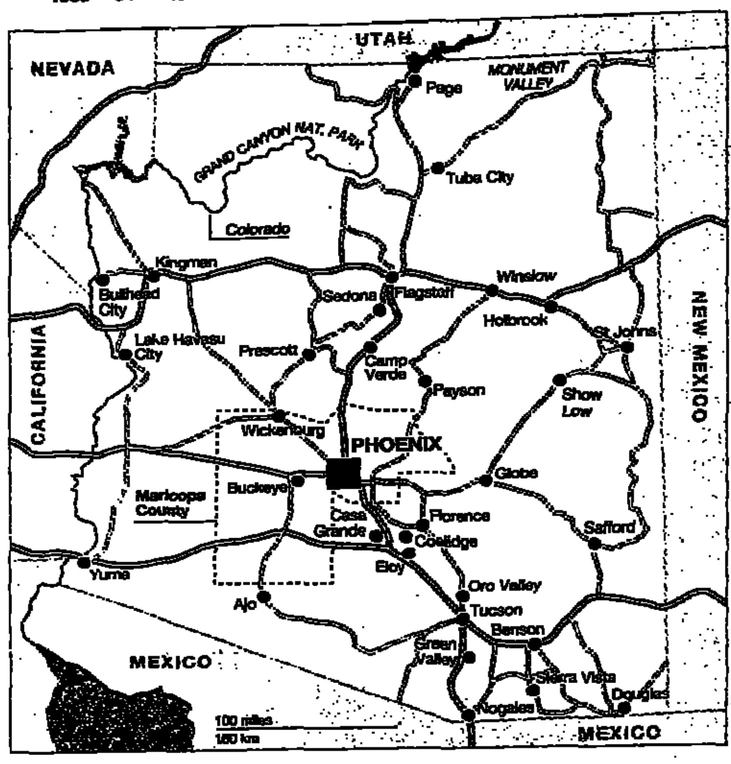








Monument Valley



Sources: Arizona Department of Economic Security & Arizona Real Estate Center/Coopers & Lybrand

■ **Profile: Tom DePaolo**

Fighting entrenched interests

The property specialist's plan aims to ease congestion at the Grand Canyon

In a state humming with debates on planning and sprawl, arguably the most poignant, instructive and bitter is the confrontation being rehearsed on the brink of Arizona's grandest natural marvel: *the Grand Canyon.*

It embraces environment, economy and federal and state authorities. It pits established business interests against upstart newcomers.

At issue is a proposal to build Canyon Forest Village, a privately-financed resort, retailing, cultural and residential centre to marshal and entertain the visitor hordes and house the workforce needed to serve them.

The seed was set in the late '80s during a visit from Tom DePaolo, a property specialist, who was scouting for a site – of all things – to build a factory outlet mall. Often large and garish, such malls attract bargain hunters looking for quality branded clothing and other items at "factory" prices.

But the closest town to the canyon, Tusayan, had no land and in any case "was disinclined to work with outsiders," he says. Still, Tusayan's "random spot and strip development" of an ill-assorted array of expensive motels, hotels, souvenir shops and burger bars, captured his imagination. So, too, did the queues of tourists and the forecasts.

On peak days the canyon draws 35,000 visitors and the annual total is about 5m. Numbers have grown an average 7 per cent for the past decade. Using this as a basis, the worst-case forecast shows the annual total could grow to 14m by 2010. Mid-range predictions put the figure at about 7.5m.

Even now, on busy days, traffic jams stretch for miles, and the official visitor centre somehow draws 9,000 people daily even though it has fewer than 150 parking spaces.

Mr DePaolo – backed by a consortium which includes the president of CTI, one of the largest trucking groups in the south west, and Italy's Percassi brothers from Bergamo who operate one of the world's biggest Benetton franchises – has since 1994 spent more than $7m on preparing his ground.

He has bought or taken under contract a collection of private land parcels within the publicly-owned Kaibab national forest bordering the canyon's south rim. He has proposed exchanging these for a smaller unit of forest land close to the canyon – and Tusayan – on which he wants to build his village.

Studies on the environmental effect of the project are still under way. There will also have to be planning hearings, and Mr DePaolo expects more lawyerly opposition from the Tusayan side should his scheme win official approval. He has already been embroiled in two cases.

But if all goes well, he hopes to start building by the end of the decade with a budget of up to $700m.

Signs are that, pending the environmental studies, the scheme has broad, if cautious, support from environmental groups. The US Forest Service is on record as wanting to consolidate the Kaibab in-holdings to preserve the natural integrity of the park area. A recent official study showed a need for 700 housing units for federal and tourist industry workers.

Mr DePaolo's project purports to address all these concerns at no cost to the public purse. Loss-making rental accommodation, and a school, reserved strictly for park and tourism employees, will be subsidised by the envisaged hotels and retail sites.

A giant marshalling and car parking area, from which trippers could be transported to canyon viewing points by shuttle buses would keep private *vehicles at bay.*

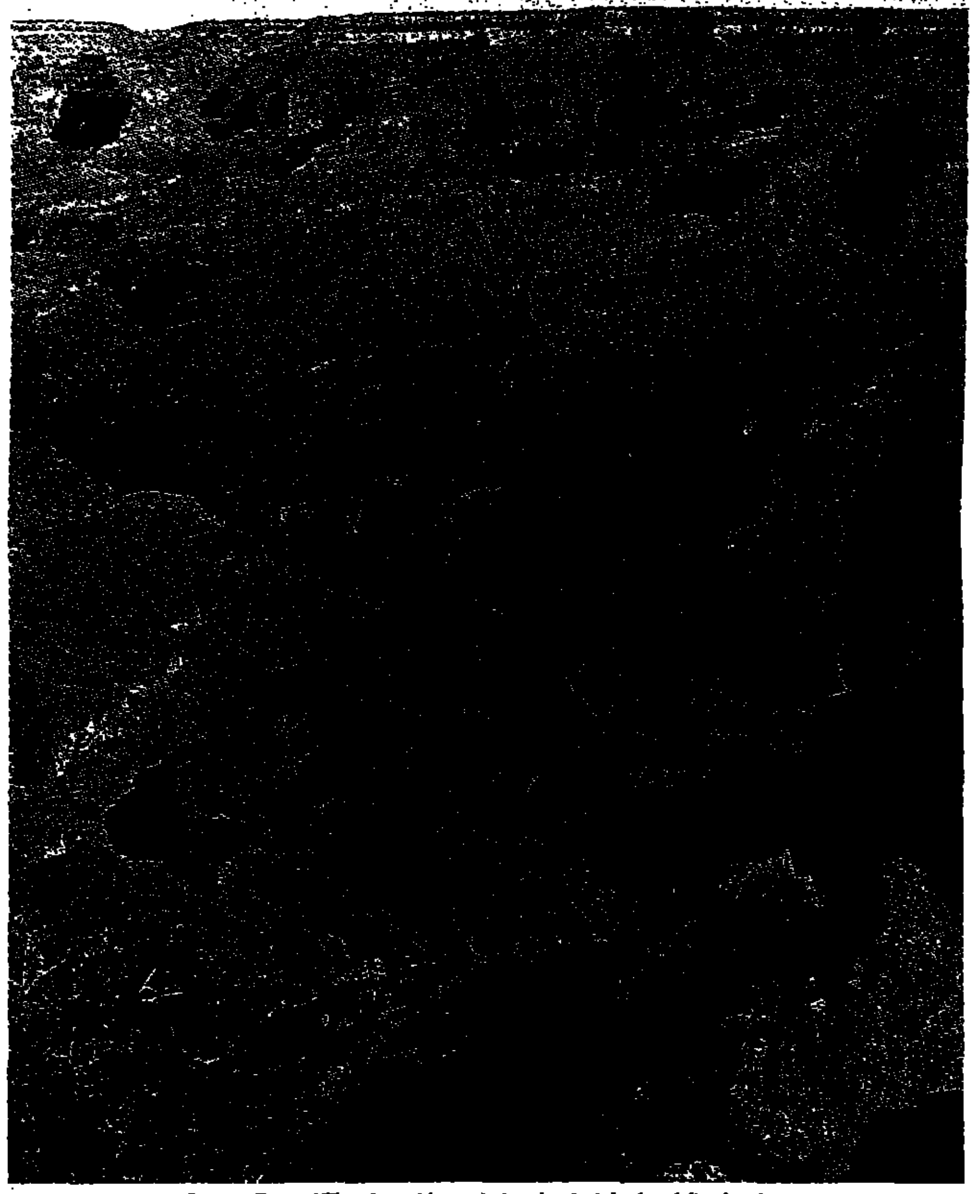
The project received an important boost in March when Mr DePaolo attracted a new partner: the Museum of Northern Arizona, which *announced a scheme to build* a 100-acre visitor "orientation centre" in the middle of Canyon Forest Village.

The museum's trustees say the centre will enhance visitors' experiences with educational displays and services *embracing the canyon and* the nine Native American tribes still living on the Colorado Plateau.

"The museum is the perfect institution to complement *what we want to do," says* Mr DePaolo.

Although his consortium plans to pay for the centre's construction, the museum will provide the services. "It is the perfect illustration of a public/private partnership," he adds.

Even if his hopes for the Canyon Forest Village are dashed, the orientation centre will still be built, museum officials say. Development could go ahead on one of the in-holdings already within Mr DePaolo's control, which may be the last thing the Forest Service wants.



Centre of attention: 'Canyon Forest Village' would marshal and entertain the visitor hordes *George Hemingshaw*

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■ **Pollution**

Fug clouds the future

Smog around Phoenix is only one indication that the environment is starting to suffer

Phoenicians started polluting their desert atmosphere long before the internal combustion engine made its presence smelt to any degree.

Arizonan air formerly considered beneficial to the tubercular or the merely sensitive, was quickly laden with irritant pollens as the civilising influences *of European-style* gardening, free-flowering alien plants and the watering can were imposed on sand and grit.

Now, as industry and people pile in with their cars, trucks and waste burdens, Phoenix stands out among leading US cities as one of the handful where air quality is worsening.

Like Los Angeles, the smoggiest city in the US, Phoenix and surrounding cities lie in a valley which makes it prone to the phenomenon of atmospheric inversion which traps pollutants. One result was that the valley's smog or ozone levels exceeded federal limits on 27 days in the first nine months of last year.

The combination of road and construction traffic and the desert winds which can fill the air with blown sand and desert dust worsen conditions.

The car, source of 96 per cent of the carbon monoxide in the Phoenician atmosphere, is also *considered as a fixed factor* in much environmental policy analysis.

Some suggest the only thing to do is to wait until the zero-emission vehicle becomes a *technical and economic reality* next century. Lack of disincentives for drivers or public transport alternatives, and town planning methods, mean the number of vehicle miles travelled in the valley daily is growing at more than double the rate of population increase.

Another factor is that in Arizona's free-market, free-wheeling political atmosphere, subsidies for public services are widely frowned on and perceived infringements of personal "liberty" are anathema.

One consequence of this is routine flaunting of existing state and federal regulations which resulted last year in the Maricopa County environmental authority's issuing more than 750 notices to companies allegedly violating *their* pollution limits.

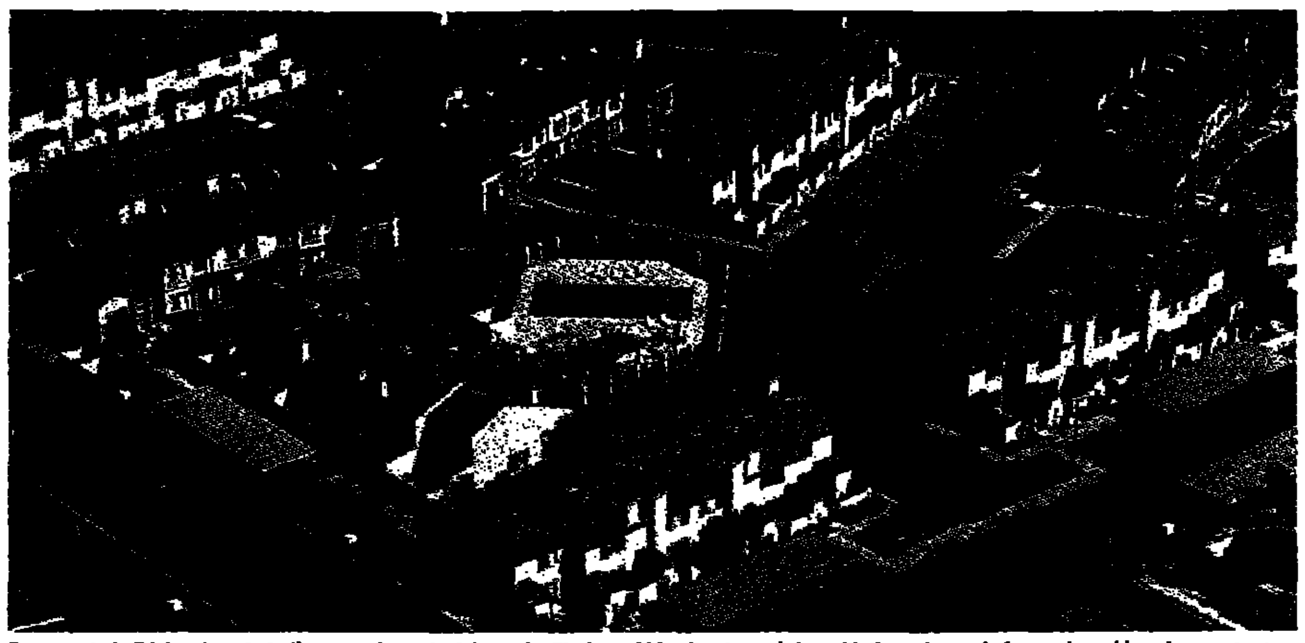
A limited study by the state Department of Environmental Quality, recently counted 75 abandoned land sites in and around Phoenix heavily contaminated with waste oil and other hazards in one 15 square mile area. These sites – so common they are popularly known as "brown fields" – are shunned by developers, often left uncleared by cash-strapped authorities, and remain as blots on the landscape and threats to ground water.

The state legislature, recognising the environmental dangers, made a half-hearted attempt to address the issues in its last session. However, according to Bill Pfeifer, head of the American Lung Association of Arizona, "no meaningful action" resulted.

Warning of the hidden costs to health he recently suggested it was only a matter of time before the price of inattention became all too apparent.

"When Maricopa County gets reclassified as a serious ozone non-attainment area, heavy requirements will be imposed that surely will curtail business expansion, slow job growth and cause major inconveniences for all of us," he wrote.

Storm brewing? The effect of growing pollution on human health is tangible; the effect on the fragile deserts surrounding the city is unknown Glyn Genin



Pressure to build: immigrants to the area, drawn by jobs and a life free of big city stress, bring with them demands for roads and housing Glyn Genin

■ Urban sprawl

Trouble on the horizon

Growing numbers of newcomers have reopened debate on the impact of urban development

Empty Arizona, home to only about 4m people, has used the lure of "closeness to nature" and "healthy living" to attract immigrant capital and people since the post-war boom.

The effect is evident in the rapid growth of the population of Maricopa County – home to the Phoenix conurbation – from 1m in 1970 to almost 2.5m, or 60 per cent of the state's population. Even the most conservative estimates suggest that the county headcount will rise to 4.5m in the next 25 years and almost 6m by 2045.

Now, 75,000 newcomers a year are answering nature's call, drawn also by the prospect of jobs and a life free of big city stress.

They bring with them demands for roads, schools and the roomy, well-spaced houses which form the plywood and stucco framework of the American Dream.

As in past periods of rapid expansion, the influx has awakened the unresolved debate on the impact of urban sprawl.

Discontinuous urban development, as the planners describe it, is a common source of anxiety in western cities in the US (the late developers of US urban society) where suburbanisation was actively promoted by federal subsidies and cheap private transport.

In Portland, Oregon, officials have tried to resolve the problems with strict limits on city growth.

Decision-makers in Phoenix and its interlocking neighbour municipalities of Scottsdale, Tempe, Mesa, Chandler, Peoria and the rest are still talking and still issuing building permits for the affordable homes that are so attractive to newcomers.

"Five years from now we'll still have a $129,000 house (the current median price) in Phoenix, but it will be located five miles further out," says a local property analyst.

As in the past, much of the sprawl debate is hot air and hypocrisy, according to Elliott Pollack, an influential local economist and property consultant.

According to Mr Pollack, there are those, for example, who wrap themselves in environmentalist colours. They are the not-in-my-backyard gang, he says.

"These people want to own one acre but control the 1,000 acres next door that someone else owns. These people make a lot of noise but, unfortunately, add little to the discussion," he wrote in a recent polemic.

Mr Pollack belongs to the broad-based free-market, pro-growth tendency, which, even without the support of Maricopa County's 400 developers, is a considerable force in deeply conservative Arizona.

He rejects populist propaganda that Phoenix is fated to become "the next Los Angeles". He points out that the metropolitan area has one of the largest allocations of park and open spaces relative to its size in the US.

More than half the new residential construction in the region takes the form of master-planned communities: typically spacious, on landscaped terrain, with all amenities included.

"We are not building tomorrow's slums here," he says. "I live in a master-planned community and the quality of my life will not change if another 100,000 people come here."

Even if land were to be consumed at the popular (and unsubstantiated) catchphrase rate of "an acre an hour", it would take 600 years to develop the county fully, he adds.

That is not the point, says Rob Melnick, director of the Morrison Institute for Public Policy at Arizona State University, and one of Mr Pollack's regular sparring partners.

While he enjoys his reputation as a gadfly eager to prick the conscience of the complacent majority, Mr Melnick represents a more reflective faction, which sees the correction of today's planning policy failures as a way of avoiding some of the more serious problems in the future.

The worst thing that could happen, he says, would be for today's broad-based debate to become polarised, with a pro-growth group taking one way to isolation and no-growthers taking the other. Further hardening of positions, frustration and inaction would be the likeliest outcome. The quality of life, of which Arizona is so proud and protective, would suffer.

Trouble is already looming. By virtue of Phoenix's valley location, its blazing summers are often blighted by heavily polluted air trapped beneath an atmospheric inversion layer similar to that which once threatened to make Los Angeles unliveable. The effect on human health is tangible. The effect on the fragile deserts surrounding the city is unknown.

Meanwhile, resort hotel operators, far-flung suburbanites and fast-growing industrial, business and retail parks on the fringes of the cities, who depend on low paid inner-city dwellers for essential services, report increasing difficulties in finding staff, since many people are unable to make the trek out on the unreliable, infrequent buses which pass for a public transport system.

> Summer temperatures make walking impracticable

"On $5 an hour, these people cannot afford cars," says Mr Melnick, who claims to have used all his wiles to restart the debate on the role 20 years hence of mass transportation in sprawly Phoenix.

"I have gored every ox. But politicians and tax-payers resist. The development industry is up in arms. They want more freeways that go out and out to areas where land is still relatively cheap because then they can build more houses next to them.

"But they can't build their way out of this," he says.

Mr Pollack, agrees on one point. "Transport is the next real issue," he says. But Mr Melnick's "European" solutions imported from countries where walking to the bus or train stop is the norm are unlikely to work. The low density of Arizonan housing, coupled with summer temperatures of 110 degrees and more, make walking impracticable. A stationary pedestrian waiting for a bus is likely to suffer scorched feet.

Policy think-tankers at the Goldwater Institute believe they have a solution. "We are the way we are," says Eric VonDohlen of the conservative, industry-funded institute. It is too late to start changing the structure and the nature of the city, he argues. Proposals for mass transit schemes have in the past foundered on taxpayer resistance, he says.

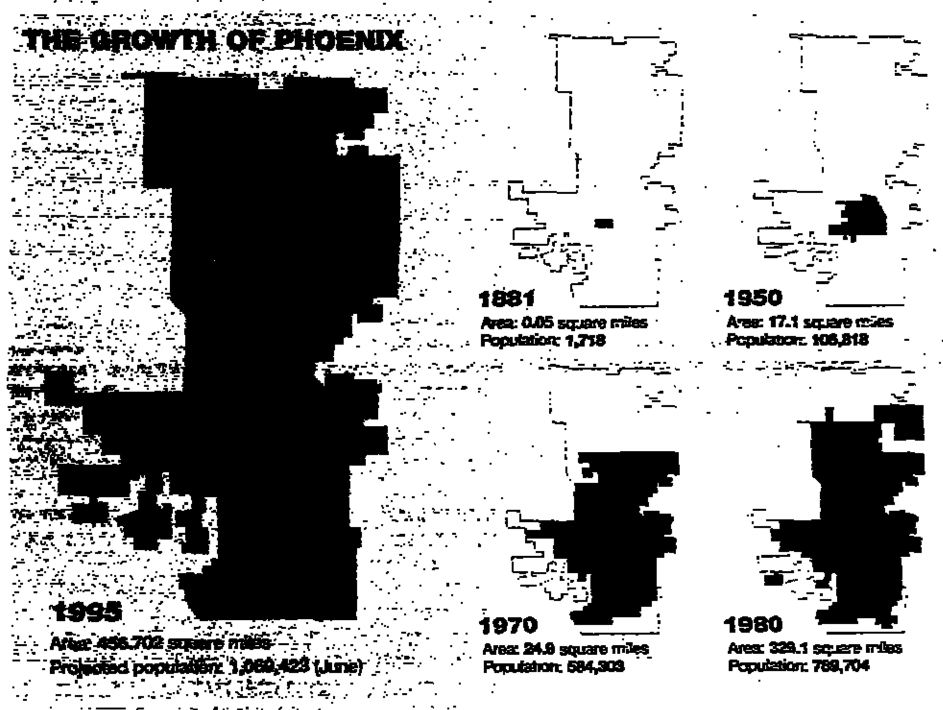
It would be better to apply a low-cost mixed solution comprising organised car pools to complement an enhanced bus service for the less mobile. "It costs only $80,000 to buy a new bus and $60,000 a year to extend an existing route by an extra mile," he says.

Car drivers using the highways at peak times should pay congestion taxes in much the same way as electricity consumers pay more at times of high demand, and private toll roads could complement the inadequate public network, he suggests.

Such schemes, he says, will suit the nature of the "very market-oriented people in this state."

Besides, he adds, "I don't think you'll find it easy to persuade them to give up their automobiles".

THE GROWTH OF PHOENIX



Cultural legacy **Desertion of the Chaco Canyon**

Lessons from the past?

"The Anasazi world grew from a collection of simple farming communities to a society complete with central government, hierarchical administration, civic projects and other aspects of a complex civilisation. Then the Anasazi turned aside from those levels of complexity.

"Perhaps in such an exacting environment, there are limits to growth. Possibly, because of a long stretch of forgiving climatic conditions, Chacoans overstepped those limits, eventually adjusting by breaking into smaller groups. Maybe in some situations, growing to ultimate complexity is the wrong choice, the less adaptive choice." *

Why the Anasazi, presumed forebears of the loose Native American group known as Pueblo Indians, deserted their grand city and farmlands in Chaco Canyon are still unknown. The extraordinary masonry buildings – up to four stories tall – which formed this desert community in modern-day New Mexico, were built in a 250-year span reaching to the early 12th century. Less complex, earlier settlements, date back to at least 700 AD. By 1150 Chaco Canyon was deserted.

In about 1450, the Hohokam Indians of Arizona's Sonoran Desert, close to Phoenix, left their settlements and a 300-mile network of canals. "They [visitors] want to see what happens when you develop the desert, when you change it rapidly? You show them the Hohokam," says "Crash" Masurich, a local tour guide.

* *From Chaco, A Cultural Legacy, by Michele Strutin. Pub. Southwest Parks and Monuments Association.*

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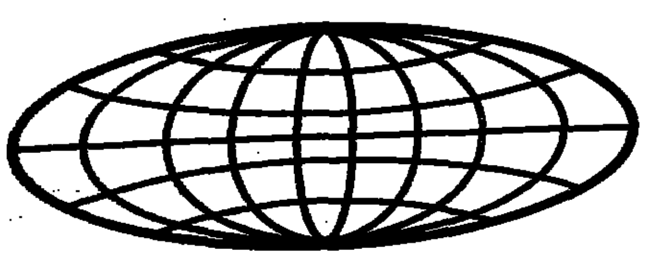

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■ Arizona as a corporate location

Dissident voices emerge

The attractions of the state are set against growing costs and lack of public transport

"Quality of life", the term most often used to encapsulate one of Arizona's main attractions for business, is not simply a vague agglomeration of personal preferences revolving around eternal sun, golf and cactus gardening.

It embraces definable economic and social elements, and it is one of the state's most prized assets. In the scale of factors governing US corporate relocation or investment planning, local pundits rank it alongside or even ahead of financial incentives.

They credit it with a prominent role in decisions which last year led almost 500 companies to relocate to or expand facilities in Arizona, creating 25,000-plus jobs.

Intel, the California-based chip giant is now completing a $1.3bn fabrication plant – billed as the biggest construction project in the country, further promoting the state's claim to redesignation as "Silicon Desert".

Sumitomo Sitix is also building on a greenfield site, while established residents Motorola and France's SGS Thomson are expanding.

Compared with an average of 10 per cent for the US as a whole, 30 per cent of the state's manufacturing jobs are in high-tech industries.

Among Arizonan executives, measurable beneficial influences on the quality of business life include relatively low housing, living and labour costs, and relatively high educational standards. Proximity to the Californian market – an hour's flight away – and fast-growing trade with Mexico are also quoted.

Among the intangible assets, executives mention a strong work ethic, and self-reliance attributed partly to traditions based in pioneer times and the state's large Mormon population.

It was the quality of business life in Los Angeles which, ultimately, drove Daily Racing Form, the turf afficionado's bible, out of California in 1993. William Dow, chief operating officer, paints a dismal picture

> 'The cost of doing business in California has now moved here'

of a decayed inner city community and an "anti-business" atmosphere in City Hall.

He fondly recalls an "audience" with Arizona governor Fife Symington, and contrasts the occasion with a dismal, fruitless encounter with the mayor's office in his company's former base.

Phoenix offered lower rents, an abundant, well-trained labour pool and lower pay. "They all added up to productivity gains, and they still do," he says. Most of the 60 Phoenix staff own homes which they could not afford in LA.

Among the less definable advantages, he lists "an element of frontier justice" which keeps crime in check. "I take my dog for a walk at night and never think to look behind me. My shoulders dropped four inches when I came here," he says.

William Schultz, head of Fender Musical Instruments, the leading rock guitar maker, which moved its headquarters to Arizona at around the same time, shares Mr Dow's delight at a personal level. However, he says, "the cost of doing business in California has now moved here, and California has reversed its attitude to business.

"The advantages have gone completely," he claims, and complains of endless construction work and urban sprawl which exacerbate traffic problems. He also reports difficulties finding suitable, affordable staff for his computer departments.

Staff poaching is now widespread in the state's high-tech industries, and one local software group said recently it was obliged to increase programmers' pay four times in the past two years to keep up with the game.

Mr Schultz is a rare dissident voice, but echoes of his concerns emerge persistently in the revived debate on managing growth in the state.

According to last year's study by the non-profit Corporation for Enterprise Development, Arizona failed to gain a place in an "honor roll" comprising 14 states, headed by neighbouring Colorado and including Utah.

Under a rating system in which merits are awarded for a state's economic opportunities, the vitality of its business sector, and its capacity for future growth, Arizona came out only marginally ahead of California, the state from which it has garnered most of its corporate relocations.

On the other side of town from Fender and at the other end of the high-tech jobs scale, Matt Crow, president of the Arizona Biltmore hotel, reports trouble finding people to fill $6.50-an-hour security jobs.

It is a problem which will grow in future, he says, made worse by the lack of public transport to carry lower-paid service industry workers from their homes in central Phoenix to outlying resorts.

But at a more philosophical level, this recent arrival from New York is still enchanted by the prospects of Phoenix, and the opportunities presented by his acceptance into the ranks of a business community determined to shape the region's future. "If this company were in London, New York or Chicago, it would be generations before someone like me could take any kind of role," he says.

Down at ground level, John Sperling, the earthy president of the Apollo private education group, recalls the conditions which favoured the foundation of his formerly-controversial business just 20 years ago.

"There was still an air of the Wild West out here," he says. "I came on the principle that where there's muck there's money. I decided the least likely place was the place I should go. I couldn't have done all this in civilisation."

PROFILE America West

Airline grasps the nettle

America West, the Tempe-based, phoenix-like airline which fell into virtual bankruptcy and scrambled aloft again in mid-1994, is building up its fleet and its workforce. Bill Franke, chairman and chief executive, says he plans to lease 22 jets in addition to the 93 in service at the end of last year and take on 1,000 new workers.

Hearing him talk about economic prospects around his hub, it is clear he is optimistic. "Arizona and Nevada will remain the fastest growing parts of the US for the next 10 years," he says. America West itself has a plan based on an estimated 20 per cent expansion of the business in the next two years. It expects revenues to grow more than 25 per cent this year to $1.75bn.

There is talk about town of the need for a cargo-only airport. Newly-opened north-south passenger routes stretching from Vancouver and Mexico are benefiting from

> America West is expanding after its recovery from a recent near collapse

trade flows generated by the North American Free Trade Agreement. East-west traffic is growing as a result of rapid growth in the economies of Asia Pacific. And the changing structure of the local market is giving America West opportunities to shift its product and passenger profile to more profitable areas.

Arizona, once a seasonal leisure destination patronised by the winter resort trade and golfers, now has a large business travel market, says Mr Franke.

Formerly fare-driven, with fierce cut-price and charter flight competition – a condition which prevails thanks not least to the rough-and-ready Southwest Airlines, which makes a virtue of the peanut lunch – Arizonan air travel is growing more diverse. Alliances and code-sharing deals with the likes of Continental and British Airways form part of the approach, which includes efforts to wriggle into high-margin niches in the crowded market.

The company, which is investing in Phoenix's new major league baseball stadium, and has its name blazoned on the Phoenix Sun's downtown basketball arena, is evolving a role as a "boutique" provider for sports teams – and their fans. Phoenix expects shortly to draw in thousands of new visitors by virtue of its status as one of only a dozen US destinations with four major league teams and stadiums offering basketball, baseball, football and ice hockey.

America West's average passenger trip has stretched from 500 miles when Mr Franke arrived to 1,000 now. "This helps us keep out of the way of Southwest and United's shuttle where there is a new fare offer every day," he says. First-class service has been reinstated.

Mr Franke, by his own account, takes a business-like approach to running the company. Of 20 executives at the top of the hierarchy, 19 have joined since he arrived. They came from "well-structured businesses" such as Avon, Marriott Hotels and PepsiCo. The civil service mentality belonging to the days of a regulated market, is evaporating.

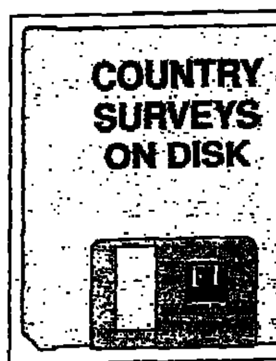
"I grew up in the paper industry. I am not an airline guy, but I recognise that flying is a commodity governed by a commodity cycle. Therefore costs need to be kept in the lowest industry quartile and the business needs to be run like a business," he says.

America West: operational statistics

	Reorganised company		Predecessor company				
		Aug 26 – Dec 31	Jan 1 – Aug 25				
Years ended December 31	1995	1994	1994	1993	1992	1991	1990
Revenue passengers (m)	16.8	5.2	10.5	14.7	15.2	16.9	15.6
Available seat miles (bn)	19.4	6.4	11.6	17.2	19.3	20.6	18.3
Revenue passenger miles (bn)	13.3	4.0	8.3	11.2	11.8	13.0	11.1
Passenger load factor (%)	68.5	61.8	71.0	65.3	61.1	63.2	60.8
Average passenger revenue per passenger mile (cents)	10.91	11.02	10.68	11.11	10.31	10.22	11.17
Average passenger revenue per available seat mile (cents)	7.48	6.81	7.58	7.25	6.30	6.46	6.79
Operating expenses per available seat mile (cents)	7.19	6.71	7.15	7.01	7.10	7.36	7.37
Full-time employees	8,712	10,715	10,849	10,544	10,233	11,561	12,933
Fuel price (cents per gallon)	55.82	57.10	53.78	61.05	62.70	67.06	79.36
Number of aircraft	93	87	85	85	87	101	104

Source: America West

Rising from the ashes: an America West aircraft



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PROFILE Fender Musical Instruments

Fender bender: Eric Clapton is one of the the 90 per cent of leading rock and pop musicians Fender says play its guitars Michael Pollard

Arizonan attractions begin to wane for guitar maker

Fender Musical Instruments which claims that 90 per cent of leading rock and pop musicians play its guitars, is considering starting manufacturing in the UK. The plant would complement a newly-opened distribution and marketing base near Gatwick airport, south of London.

The Arizona-based company may also need new capacity in the US, according to William Schultz, the company's president, but the most likely site for this is back in California, Fender's original home, rather than Phoenix, where it has been headquartered since 1992.

The anti-business environment which originally

> Fender has raised daily production from 12 to 1,000 units

drove Mr Schultz, his management and research facility out of the Golden State in 1992 has much improved in the interim, he says.

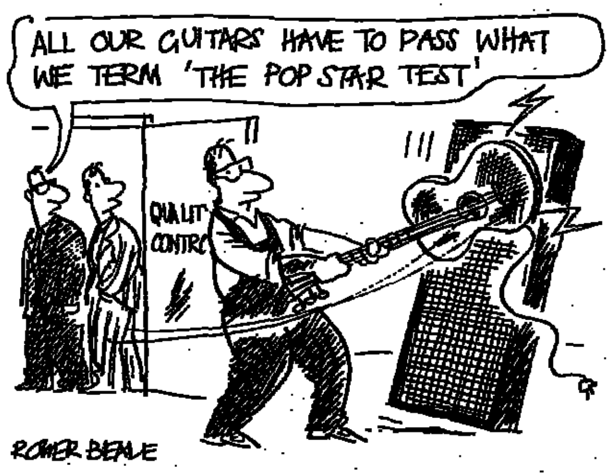
An $800,000 worker-training grant figured among the incentives which persuaded Fender to scrap provisional plans to move the whole business to Arizona. The company now employs 120 people in Phoenix and still has 600, mainly manufacturing staff, in California.

Meanwhile, the attractions of Arizona have waned. It is still a great place for golf, says Mr Schultz, and all 50 people who came with him are still in Phoenix. "But the business environment is not being handled properly. They are building houses and no roads," he says.

He is also having trouble finding computer staff at economic rates of pay in competition with the blossoming Arizonan electronics industry.

Besides, Mr Schultz points out, the need to set up and run in new equipment, train staff and get quality up to scratch in a new site in Arizona would need lead times of a year at least before quality could be assured.

And time is a commodity the 50-year-old company cannot spare. It is busy resurrecting itself from the sorry condition in which it found itself in 1985, when its then-owner, CBS, decided to dispose of its corporate orchestra – a motley band of subsidiaries producing flutes, Steinway pianos and organs, as well as electric guitars.



Mr Schultz, who had been managing the company for four years at the time, led a team which bought the name and distribution rights for $12.5m. "We didn't have enough to buy the manufacturing. We started out with the idea we would be an importing company. Production was down to 12 guitars a day," he says.

Daily output of these hand-made Rolls-Royces of the rock world has subsequently risen to 1,000. The Fender brand's world market share in electric guitars is now 25 per cent in dollar terms.

The company recently bought the Guild company to strengthen its position in the acoustic guitar market and as a base on which to build a new electric model to compete with arch-rival, Gibson.

Fender has also opened a distribution office in Germany and it has a joint venture in Japan. A Chinese manufacturing partnership helps Fender cover the bottom end of the guitar market.

In the past 10 years the company has shrunk its debt ratio from 12:1 at the start to 1.5:1, and operates strictly by Mr Schultz's dictum: "Never spend more than you take in." As a result he has a company that is valued at $130m on his hands, and he is being "bugged to death" by investment bankers seeking to lead him to market.

AUTOMOTIVE COMPONENTS

The global urge to join forces

Greater use of common parts has put economies of scale and global coverage at a premium in the world components industry, writes **Haig Simonian**

Every Friday, a group of purchasing executives from General Motors pick up their phones for a two-hour *international conference call*. On the agenda are the parts requirements for the group's future car and truck programmes. Together, they discuss what components are needed, who might best supply them and how and when the contracts should be put out to tender.

The globe-spanning call, which unites GM's purchasing people in Australia, the US, Europe and Asia, also covers cost-cutting ideas for current models. The participants swap data on the performance of *their suppliers*, gossip about industry developments and act on their conclusions.

A decade ago, such a call would have been inconceivable. Purchasing was an independent function carried out locally. Few manufacturers, apart from GM and Ford, had significant assembly plants outside their home markets, restricting the need for co-operation between subsidiaries.

Even multinational carmakers had limited reason to co-ordinate their domestic and foreign production plans. In the case of GM, which spends about $70bn a year buying parts, purchasing was until 1992 split between 26 different operations.

Components requirements differed widely between locations. The dissimilarities stemmed partly from varying national safety and emission standards. But they also arose because the manufacturers themselves had barely started to co-ordinate their global vehicle programmes. And even if the same parts had been required, purchasing *departments would have found* it virtually impossible to find one company to supply all their international needs.

All that is changing now. The onset of efficiency and rationalisation programmes such as "Ford 2000", Volkswagen's "platform strategy" and GM's network of "alliances" between international product development teams mean new cars are being conceived on a global basis. Even when their exterior styling and body variants differ, their innards are increasingly the same.

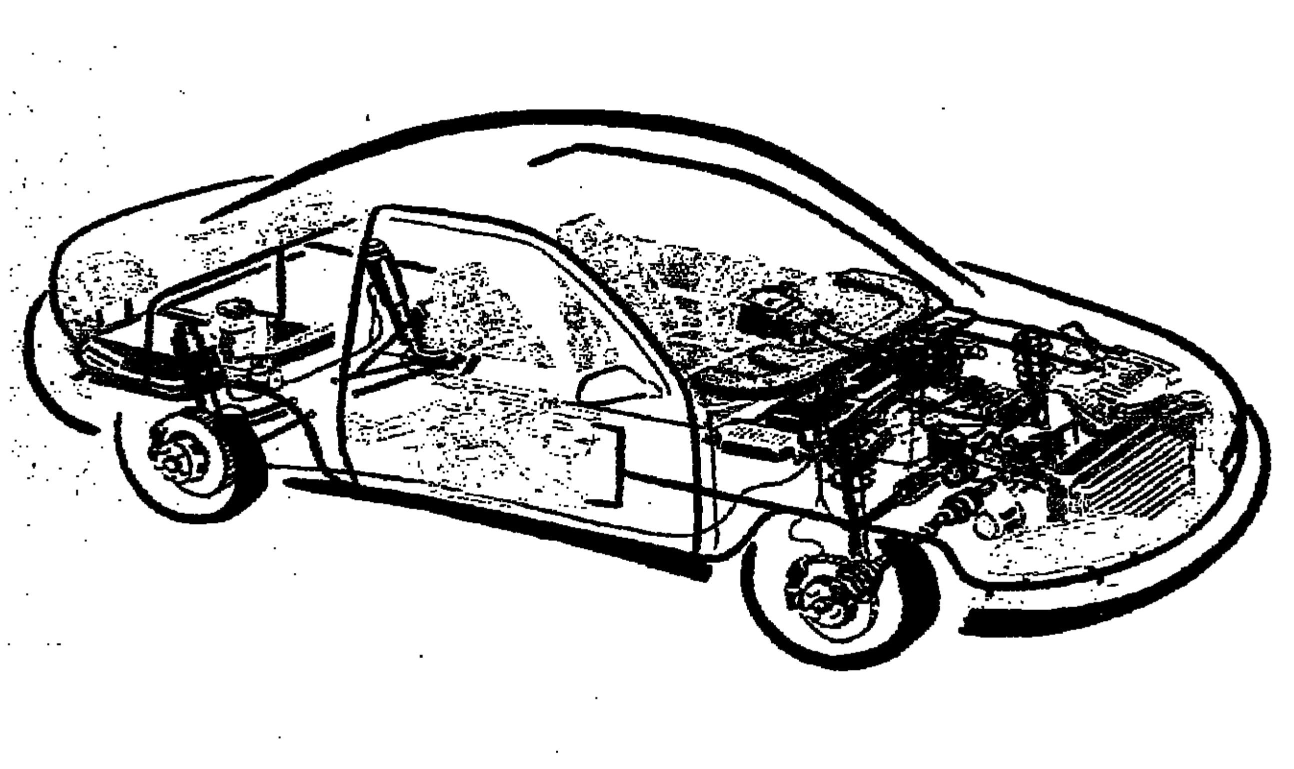
The greater use of common parts has put economies of scale and global coverage at a premium in the world components industry. That trend has been reinforced by vehicle makers' expansion into new regions, such as Asia and South America, to meet forecast demand growth as sales in their traditional markets slow.

Such developments have fostered consolidation in the industry. In the past three months alone, Bosch has bought Allied Signal's brake operations; Lucas has confirmed talks with Varity on closer links; and Mr Carlo De Benedetti's big stake in Valeo has been put into play. "The game of musical chairs in car components is just starting," says one consultant. The world's component makers are taking bets on which companies will be next to join forces.

The world's leading companies

Rank	Company	Sales 1994-5	Nationality
1	Delphi Automotive	$26,100m	US
2	Nippondenso	$13,840m	Japan
3	Bosch	$12,653m	Germany
4	Michelin	$12,247m	France
5	Bridgestone	$11,963m	Japan
6	Goodyear	$10,508m	US
7	Ford-ACD	$8,700m	US
8	TRW	$5,679m	US
9	Continental	$5,525m	Germany
10	Dana	$5,299m	US
11	Philips	$5,274m	Netherlands
12	Aisin Seiki	$5,022m	Japan
13	AlliedSignal	$4,922m	US
14	ITT Automotive	$4,784m	US
15	Delco Electronics	$4,508m	US
16	Mannesmann	$4,330m	Germany
17	Valeo	$4,312m	France
18	PPG	$4,278m	US
19	Johnson Controls	$3,573m	US
20	Sumitomo Rubber	$3,554m	Japan
21	Du Pont	$3,550m	US
22	Lucas	$3,448m	UK
23	Eaton	$3,415m	US
24	Sumitomo Electric	$3,214m	Japan
25	Lear Seating	$3,148m	US
26	ZF	$3,050m	Germany
27	Rockwell International	$2,826m	US
28	Mitsubishi Electric	$2,729m	Japan
29	UTA-UTC	$2,683m	US
30	Magna	$2,581m	Canada
31	Magneti Marelli	$2,551m	Italy
32	GKN	$2,510m	UK
33	Pirelli Tyre	$2,502m	Italy
34	Zexel	$2,464m	Japan
35	Calsonic	$2,334m	Japan
36	Varity	$2,268m	US
37	T&N	$1,968m	UK
38	Siemens Automotive	$1,937m	Germany
39	Tenneco	$1,898m	US
40	Bertrand Faure	$1,825m	France

Sources: company accounts, EIU



Systems integration: Delphi Automotive Systems, the world's biggest car components group, is trying to exploit the links between its many activities

Consolidation has been accelerated by the cost pressures on vehicle makers. In mature markets, such as the US, Europe and Japan, the "affordability" of new cars has become a central issue for the motor industry. A new study by consultants A.T. Kearney and the University of Michigan* shows it now takes about 10 weeks longer for a US worker to buy a car, based on average salaries, than a decade ago. The debate over "affordability", which is raging even more fiercely in the low-growth European market, lies at the heart of vehicle makers' efforts to cut costs and remain competitive.

That is placing new demands on the components sector. Ford shocked many suppliers last year when it set strict price reduction targets over an extended period. Other carmakers have not been so forceful, but their aims have been the same. Mr José Ignacio Lòpez, the Spanish-born production and purchasing guru now at the centre of a bitter lawsuit between GM and VW, is now transferring his cost-saving strategies to Europe.

Vehicle makers on both sides of the Atlantic are also demanding significantly higher quality standards from their suppliers to meet the levels of their Japanese competitors. Sophisticated monitoring procedures have been introduced to check quality and hefty sanctions are being imposed on suppliers which fail to match up.

Higher quality has been accompanied by demands for greater flexibility. "Just-in-time" delivery has become commonplace, even if *definitions about precisely* what it implies differ within the industry. And vehicle makers are demanding not just speed and accuracy from their suppliers, but flexibility too.

Such factors have inevitably thinned out the ranks of components makers. The financial and managerial resources needed to tackle globalisation has put smaller suppliers at a disadvantage to their bigger rivals and stimulated consolidation. Business is being increasingly concentrated on a declining number of big "Tier I" suppliers, which are expected to provide services to their customers around the world. Already, there are signs of change in important businesses such as glass, seating, brakes and paint.

Consolidation has been reinforced by the trend towards systems integration. Rather than remaining mired in their established businesses, components companies are trying to improve their margins by attempting to provide more complex functions. Wiring makers, for example, are increasingly moving into producing entire harnesses. By the same token, a manufacturer of steel tubing for brake fluid could consider expanding into providing entire fluid handling systems.

The Kearney/University of Michigan study warns, however, that some suppliers' ambitions may be running ahead of reality. It suggests a greater number of components companies envisage themselves becoming systems integrators than the market can bear. Nevertheless, the impact of the move will reinforce the trend towards consolidation.

Outsourcing is the other main influence pushing towards fewer numbers. One obvious way in which carmakers are cutting costs is by delegating tasks once done internally to third parties. In the case of components, the potential exists for significant savings because of the wide differential between pay rates in car assembly and the components sector.

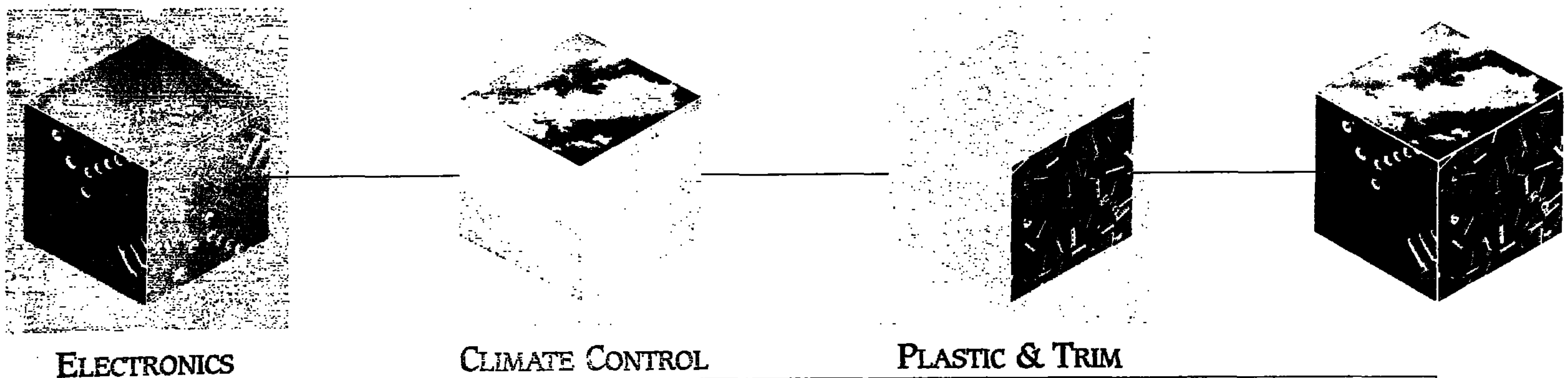
But the shift in the supply industry towards fewer, bigger companies, which have closer relationships with their customers, is predicated on greater trust on both sides. A future world of fewer suppliers winning bigger contracts covering longer periods implies unprecedented levels of commitment between component companies and their clients.

To some extent, such changes are already under way. A number of US and European vehicle makers have followed the Japanese example of sharing knowledge with their suppliers. Specialised staff go into the field to cover subjects ranging from technology and manufacturing to broader skills, such as financial control and logistics. "We help suppliers become more competitive", says one senior purchasing executive.

Such co-operation contrasts with the more confrontational approach which characterised relations between vehicle makers and their suppliers in the past. But for the new relationships to work, there will have to be significant changes of attitude on both sides.

While the closer rapport should help to improve product quality and reduce cost in the long term, it will reduce the flexibility to shop around on both sides. Vehicle makers and their suppliers say they understand the risks and argue the potential advantages of co-operation greatly outweigh any drawbacks. It is too early to tell how right they are.

* *"The Next Revolution. A study in Changing Roles, Responsibilities and Relationships in the Automotive Industry", to be published in June.*



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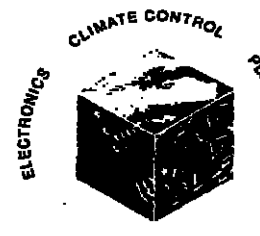

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Consolidation and technology: by Haig Simonian

Parts and the big story

Like car producers, the suppliers are merging and spreading across national boundaries

Globalisation and consolidation are marching hand in hand in the world components business as the industry rationalises and companies become more international.

Both processes still have a long way to go. Mr George Simpson, chief executive of Lucas, the UK engineering group, expects the number of Tier 1 suppliers to continue falling sharply as vehicle makers place greater demands on their leading components companies.

Like many industry executives, Mr Simpson sees restructuring among carmakers spilling over into components. That will prompt a gradual consolidation, cutting the ranks of component makers to about 15-20 "global" groups during the next 10 years.

Consolidation is already under way in Europe. Last year, the number of independent components makers fell sharply, with 157 mergers or takeovers involving European groups alone, according to Union Bank of Switzerland. While more than half the $2.45bn of transactions took place in one country, the pressure of internationalisation was reflected in the fact that 73 deals crossed European borders, while 39 involved a non-European parent company either buying or selling an operation.

Consolidation has already reduced the number of players sharply in some areas, such as brakes and seating. The number of significant seatmakers has fallen to less than six, after a spate of international acquisitions by Johnson Controls and Lear Seating, the two main independent US suppliers, which have now consolidated their positions in Europe. The same process has been under way in brakes, lighting and fluid handling systems.

While many transactions have involved the acquisition of relatively small local players, there have also been a number of more substantial takeovers. In the first months of this year, Allied Signal agreed to sell its US mechanical brake operations to Bosch, Lucas announced it was in co-operation talks with Varity and a controlling stake in Valeo was put into play. Those moves followed a spate of takeovers in 1995, which saw Johnson Controls buy 75 per cent of Roth Frères and Tenneco acquire Manufacuras Fonos, Spain's leading exhaust maker – just 12 months after buying Heinrich Gillet, a big German exhaust group.

The consolidation has been driven by three main factors. Companies want to exploit economies of scale. They are also keen to gain market share by buying their way into long-term relationships between suppliers and their local customers, and they want to expand geographically. In the complex deal between GKN and Dana last year, both improved their geographic coverage by swapping assets in different parts of the world.

The ability to offer worldwide coverage will gain importance as the motor industry grows more global. From Wuhan to Warsaw, factories are being built to meet the expected growth in demand for cars and trucks. Most of the new capacity is in developing markets, such as Asia and South America, where demand is forecast to rise most sharply.

The carmakers' push into new territories has created novel challenges for the components industry. Vehicle manufacturers are demanding shorter lines of communication with their suppliers. In many cases, deliveries of parts, such as seats, are synchronised on a just-in-time basis, with supplies often coming from satellite plants built by components companies adjacent to their customers' factories.

Accelerating internationalisation among carmakers is creating new opportunities for the supply base. Take Fiat's new Palio "world car". Production of the model has just started in Brazil, and will gradually spread to Argentina and half a dozen other countries.

Fluid handling systems for the Brazil-built Palios are being supplied by Bundy, the subsidiary of TI, which has built a new Brazilian "satellite" plant to supply Fiat. But Bundy also hopes its Palio contract will enable it to win similar deals with Fiat subsidiaries in the other countries where the new car is to be built. Only a supplier that is active globally could pitch for the business – putting a premium on geographic spread and size.

The supplier-customer relationship is also changing in two other ways. Suppliers are taking on additional functions as many carmakers "outsource" important components which they used to make internally. And components companies are being given greater responsibilities to add value to their products by moving from making individual parts to providing entire sub-assemblies.

Take outsourcing first. The shift to buying more components externally should benefit carmakers and suppliers alike. Wages in the supply industry are much lower than in the car business. That means suppliers should be able to produce parts more cheaply than vehicle manufacturers. Prices should also be lower because suppliers may have greater economies of scale, while innovation and quality may be higher because a parts supplier can exploit the knowledge that comes from working for different clients.

Similar arguments are used to explain the move towards systems integration. Giving components companies greater responsibilities should benefit both carmakers and their suppliers. Vehicle manufacturers can reduce their costs by devolving various tasks, such as research and development and quality control, to key suppliers. The components maker, meanwhile, benefits by gaining higher-margin business.

Yet although the arguments in favour of outsourcing and systems integration are compelling, there are significant constraints on both. The 17-day strike earlier this year at the Dayton, Ohio brake plant of General Motors highlighted the degree of employee hostility to outsourcing. The strike, over the issue of buying more brakes from a third party at the expense of internal production, brought GM's output to a virtual standstill.

Although both unions and management eventually claimed victory, the dispute demonstrated the difficulties of changing established working practices in a big car company. Some industry observers argue that outsourcing is only possible at greenfield sites, where workers have not been influenced by traditional practices.

Systems integration also has its handicaps. The key factor is trust. Not all carmakers are convinced about the merits of transferring sensitive tasks to their suppliers. And even the most enthusiastic will argue that certain core competences, such as engine design or overall vehicle styling, should continue to be done internally.

Main acquisitions of European companies announced in 1995

Target	Country	Acquirer	Country	Sector
Acts	UK	Tsuchiya Manufacturing	Japan	air-induction parts
Altissimo	Italy	Amicias	Italy/France	lighting
Automotive Products	UK	Automotive Products*	UK	brakes & clutches
Becker	Germany	Harman Int	US	interior parts
Bellino	Germany	UPF Group	UK	pressings
CEAc	France	Exide	US	batteries
Ebyl Durmont	Austria	Magna	Canada	interior parts
Empe	Germany	MBO†	Germany	interior parts
Euroval Motorenkomponenten	Germany	Mahle	Germany	valves
FSO Clutches	Poland	Valeo	France	clutches
GKN axles	UK	Dana	US	axles
Hammerverken	Sweden	Autoliv	Sweden	seat sub-systems
Harman SA (50%)	France	Magneti Marelli	Italy	mirrors
Hohe	Germany	Donnelly Mirrors	US	mirrors
Isodelta (49% + options)	France	Autoliv	Sweden	steering wheels
Mannesmann Fahrzeugteile	Germany	Lunke & Sohn	Germany	pressings
Manufacuras Fonos	Spain	Tenneco	US	exhausts
Melfin	UK	Tricom Automotive	UK	seating
Mercedes-Benz, plastics operation, Woerth	Germany	SAI	France	plastic parts
Plastifol	Germany	Automotive Industries	US	interior parts
Reydel	France	Plastic Omnium	France	plastic parts
Roth Frères	France	Johnson Controls	US	seating
Safiplast	Italy	Ergom	Italy	fuel tanks
Safiplast	Italy	Solvay	Belgium	fuel tanks
SEIM	France	MGI Coutier	France	wiper pumps
Sommer Allbert (50% of UK subsidiary)		Masland	US	interior parts
Styr-Daimler-Puch	Austria	Daewoo	Korea	engines & drivertrain
Thermal-Werke	Germany	Valeo	France	heaters
Vaisala Technologies	Finland	Breed Technologies	US	sensors
VDT	Netherlands	Bosch	Germany	gearboxes
Viktor Achter	Germany	Milliken	US	textiles

*Management buy-out †CVC and Goldman Sachs

Sources: UBS and Automotive News Europe (does not include acquisitions by Europeans outside Europe)

US prospects: by Richard Waters

Boost for suppliers

A look at the changing relationship between makers of parts and vehicles

By rights, the prospects for the US's auto parts suppliers should not look too good. Sales of new light vehicles, though rebounding in the opening months of this year from the disappointing end to 1995, are steady but unspectacular. With sales of cars and light trucks levelling off at an annual rate of a little over 15m, the peak of 16.1m hit in 1986 seems unlikely to be surpassed soon.

Meanwhile, the current phase of US economic expansion, though showing no signs of coming to an imminent end, is already five years old, and consumer debt is mounting. For a fundamentally cyclical industry, this is not an encouraging backdrop.

Despite this, some of the country's big parts makers could be looking forward to a solid few years, founded on steady growth, rising profit margins and international expansion.

Pressure from the big automobile makers, bent on lifting their profit margins, has meant that parts makers are "giving up 4 per cent a year in price," says Mr Joseph Gorman, chairman of TRW, one of the biggest US parts makers.

But that has benefited companies with the lowest unit costs. TRW and Dana, for instance, have been able to expand their profit margins, despite the lower prices: many weaker companies have already been taken over. As in other US industries, from financial services to healthcare, consolidation is playing into the hands of the biggest and most efficient.

A second force at work is the shift in the relationship between the automobile manufacturers and their suppliers. This has two aspects to it: the big vehicle manufacturers seem likely to outsource more work to their suppliers, and are seeking a different relationship with those suppliers.

The clearest indication of the former came earlier this year, with the strike over outsourcing that brought General Motors' North American operations to a halt. A more vertically integrated company than its competitors, GM has suffered from a high cost base (its union workers earn twice as much as the mainly non-unionised workers employed by the independents).

This year's strike ended in stalemate. The company agreed to create more jobs at two parts plants in Ohio, while the United Auto Workers agreed to GM's plan to award some work to an outside supplier. But GM's willingness to face a prolonged stoppage seemed to signal a new determination by its management.

Another way in which many carmakers are looking to cut costs is by narrowing the list of companies with which they do business. Ford, for instance, has set in train a cost-cutting effort, part of which will depend on its ability to reduce the large number of suppliers with which it deals.

This shifting relationship between manufacturer and supplier reflects another force at work, in the US as elsewhere: suppliers are taking over part of the design and sub-assembly work formerly handled by automakers, making complete units, rather than simply individual components.

This has served to push forward the consolidation already under way, as suppliers seek to extend their range of products to secure their relationships with big customers. In the brakes business, traditional brake makers have sought to extend their reach into anti-lock braking systems. That led last year to Allied Signal's decision to sell its ABS business to Robert Bosch, and to the talks recently announced between Varity of the US and the UK's Lucas.

This trend is likely to be felt more widely. TRW, for instance, already has a large share of the airbag and seat belt markets. The next step is to turn that into providing all of a vehicle's "restraint systems". To make side-mounted airbags, for instance, means having a hand in making the seats in which they are mounted, says Mr Gorman.

With sub-assembly work comes a new position of influence in the value chain. By becoming involved in research and development, engineering and project management, first-tier suppliers who stand between the automakers on the one hand and second-tier component makers on the other – a group known as "systems integrators" – will have a more influential role in future, says Mr David Cole, director of the University of Michigan's Office for the Study of Automotive Transportation.

The consolidation under way among parts makers could lead to a shift in economic power from buyers to sellers, Mr Cole adds. In the past, a fragmented parts industry has been at the mercy of price-cutting. Fewer, bigger parts manufacturers, on the other hand, will find it easier to stand up to the big automakers.

New technology: by John Griffiths

Weight-watchers get busy

As vehicle electronics systems become more sophisticated, cars may get too heavy

There is a motor industry consensus that by the year 2005 electronics and electrical systems will account for about a quarter of the manufacturing cost of a mid-range car. That is more than double the current level in such cars, even though most 1996 models are already fitted with sophisticated electronic engine management, anti-lock brakes and other complex systems.

Implicit in such explosive electronics growth is the car's transition in the next decade from an autonomous mode of private transport to part of an integrated highway transportation system, comprising "intelligent" cars communicating via sophisticated electronic systems with an equally "intelligent" highway infrastructure.

This highway system, deploying a variety of technologies under the generic term of telematics, will provide route guidance, synchronised signalling and other traffic control systems aimed at reducing congestion and delays that are estimated to cost the EU more than $12bn a year in lost man-hours, excess fuel costs and other wastage.

But as industry experts such as Mr Bob Calder, president of the light vehicle systems division of Rockwell, the US automotive-to-aerospace multinational, point out, there are knock-on effects throughout the car of the wholesale addition of new electronic systems. The weight of similarly-sized cars has typically gone up by one-third in the past 20 years, thanks to the addition of "convenience" features such as more sophisticated audio systems, electric windows, central locking, electric sunroofs and air conditioning; safety-driven fitments such as airbags and side protection bars, and environmentally-driven requirements such as catalytic converter systems.

The expected widespread adoption within the next decade of on-board satellite-guided navigation systems, fax and other data terminals, automatic collision-avoidance systems, infra-red based enhanced night vision and other sophisticated hardware will add substantially more to the weight burden – sending the industry into an intensive search for weight saving in other areas, whether through the adoption of lighter aluminium structures for the car body itself – as envisaged by Volkswagen even for volume-built models like the Golf some time early in the next century – or through the use of plastic composites and simplified construction methods for individual component systems.

According to Mr Calder, creating such complex vehicles of the future will require the maximum use of the partnership concept between vehicle manufacturers and the big "tier one" component suppliers on which they increasingly rely for the design and development, as well as the manufacture, of major component systems for their vehicles.

The full deployment of each partner's expertise will be needed, for example, in the introduction of the "multiplex" wiring systems which will play such a pivotal role in the "intelligent" car of the near future – and which will replace, in the case of Mercedes' S-class luxury car, for example, some three kilometres and over 50 kilogrammes of conventional wiring.

In a multiplex system a multitude of commands and signals can be sent or received along a single wire, not only creating instant weight savings and allowing more freedom in the design of a car, but also permitting the distribution of programmed intelligence throughout the vehicle – to provide fail-safe back-up systems in the case of lighting or other failures, for example. The first production cars to be fitted with such systems are expected to reach the market by the end of the decade.

Already there is much more aluminium in vehicles than a decade ago; sufficiently so for the steel industry, seeing one of its biggest uses under potential threat, to throw itself into an intensive technology drive to come up with similar lightweight structure using thinner, high-strength steels and innovative design approaches. Currently some 30 big steel companies, including British Steel, are three-quarters of the way through a four-year joint venture, the Ultra Light Steel Autobody programme, to build demonstration steel "bodies-in-white" (essentially the structural core of the car minus its doors, boot and bonnet) at least 20 per cent lighter than current conventional bodies.

The search for weight-saving may even extend to paint. Currently the paint process is complex and multi-staged, typically requiring $150m-plus investments in paint facilities for even a relatively modest-sized car production facility. British Steel, for one, maintains that technology is moving towards the steel producers themselves being able to provide carmakers with pre-coated steels.

And the manufacturing ideal – of being able to apply just one coat to the raw body – is not necessarily unachievable, if developments at General Motors' Hughes Aircraft subsidiary provide a guide. Hughes, which like Rockwell is also a manufacturer of space satellites, has developed its own ultra-tough paint for space vehicles which may yet revolutionise vehicle painting if surface appearance and cost reduction obstacle can be overcome.

Advances in electronics and materials technology should also lead to weight-savings in the dynamic areas of the car, such as the suspension systems, observes Mr Neil Mullineux, of motor industry consultants Bowfell Research Associates. He suggests that the use of lightweight plastic composite springs – already found on some commercial vehicles – provides one opportunity; the other, further off and more radical, is active suspension in which both springs and heavy shock absorber systems are replaced by small, computer-controlled electronic rams which lift or lower each wheel in response to vertical changes in the road surface.

Virtually all the big manufacturers have been developing such systems; however their cost and the complexities involved in miniaturising the rams and engineering in very swift response times makes it unlikely that such systems will become available on even relatively upmarket cars until early next century.

An increasingly significant role is also being played by another components sector, the tyre industry, in countering the adverse effects on fuel consumption presented by the car industry's non-stop struggle with weight. Some 20 per cent of a car's motive power has typically been required to overcome the rolling resistance of its tyres. Now, however, the adoption of new compounds for the tyres – and notably the increasingly intensive use of silica, is reducing rolling resistance markedly. Pirelli, for example, claims a reduction of around one-third for its recently launched "intelligent" P6000 tyres.

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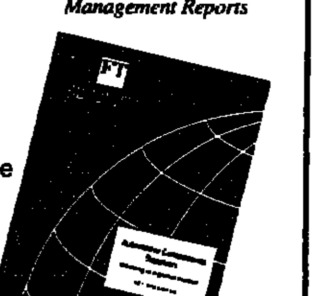

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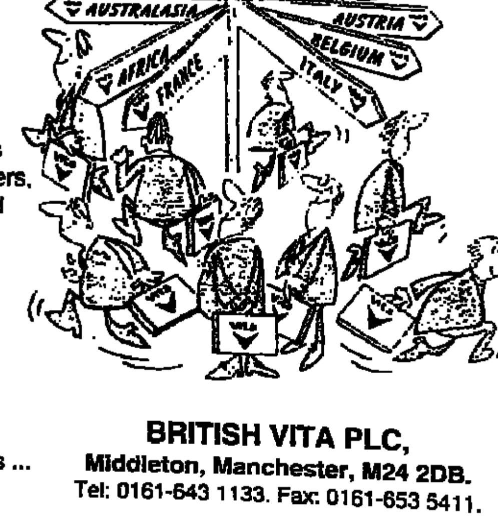

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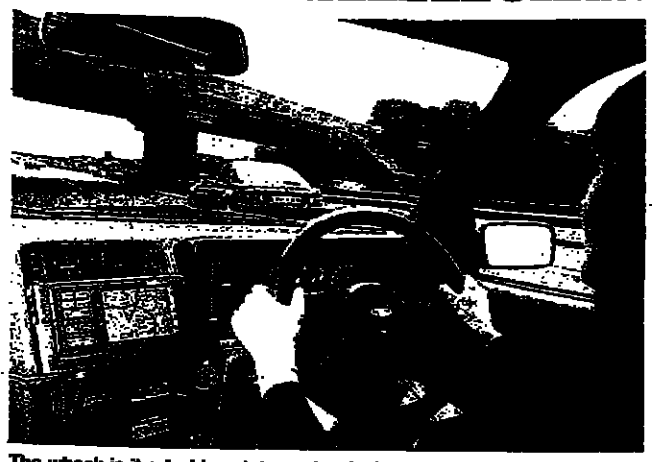
■ **Wheels:** by Peter Marsh

Trend to aluminium

Lighter, stylish wheels are popular in the US; now Europe is being targeted


The wheel: is it a fashion statement or just part of the car?

Among the leaders of the pack of US companies attempting to infuse western industrial technologies into the former communist nations of eastern Europe is California-based Superior Industries, which claims to be the world's biggest supplier of aluminium wheels for cars and light trucks.

In partnership with Otto Fuchs Metallwerke, a German metal forging company, Superior has set up a factory to make up to 2.5m aluminium wheels a year at Tatabanya, Hungary.

The $60m venture illustrates the increasingly global nature of the wheels business. It also indicates how aluminium wheels – which for years, particularly in Europe, have played only a small part in the automotive market compared with the more common steel wheels – may be about to grow in importance in Germany, France, Britain and Italy.

Aluminium wheels have grown quickly in popularity in North America since 1980, when they accounted for less than 7 per cent of the total wheels fitted to new cars and light trucks. The lightness of aluminium wheels has allowed them to be identified with moves towards lower fuel consumption and environmental consciousness.

However, the main reason for aluminium wheels nowadays taking about 44 per cent of the US market, with virtually all the remainder being steel, is that the greater degree of moulding possible with the lighter metal means such wheels can be regarded not so much as a necessity but as a fashion statement.

"We make the most stylish wheels in north America," says Mr Jeff Ornstein, Superior's chief financial officer.

In recent months, Superior's effort to carve out new business in Europe has been overshadowed by an event which for the global wheel industry has underlined the broader trends in car components towards industry consolidation in which the number of main suppliers is being reduced.

Hayes Wheels, partly owned by Varity, the large US vehicle component supplier which is participating in its own merger talks with Lucas Industries of the UK, decided to combine with Motor Wheels, its big competitor in the US wheels business. In a cash and share deal worth $1.1bn, Hayes and Motor will be recapitalised to form a significant supplier of both steel and aluminium wheels to North American car and truck builders.

Varity, which previously owned 43 per cent of Hayes, will get $235m cash and a 7 per cent interest in the merged company. After the merger, the combined group will account for an estimated 35 per cent share of the total North American wheel market (including both steel and aluminium wheels), making it easily the biggest supplier.

While this shows that companies can put two sets of assets together to increase market share, Superior's story is essentially one of evolution. Since it was founded in the mid-1950s by Mr Louis Borick, still the company's chairman and president, Superior has grown steadily, concentrating on aluminium wheel manufacture which accounts for 94 per cent of its annual revenues of about $520m.

It now makes 10m wheels a year, five times the figure of just eight years ago. Besides its factory at Van Nuys, near Los Angeles, the company runs four other US plants and one in Mexico, with the Hungarian venture its first foray into Europe. Customers in the US include General Motors, Ford, BMW, Nissan and Toyota.

The demand for aluminium wheels in Europe is much lower than in the US, largely because of greater cost-consciousness by vehicle makers – aluminium wheels typically are 25 per cent more expensive then their steel counterparts. This means that only about a fifth of all wheels fitted to new cars in Europe are aluminium.

However, Superior hopes trends in Europe are moving in its favour, particularly among makers of more expensive vehicles. The company says it has an order for 700,000 wheels a year from a German car company, which it does not want to name, and which will be supplied from next January when the factory is expected to be fully operational.

Superior has also formed a joint sales venture with Topy, the Japanese supplier thought to be the world's biggest maker of automotive wheels of any kind, under which Topy acts primarily as an agent in transferring Superior wheels to Japanese car transplant operations in the US. The deal indicates the Japanese business's interest in forming strategic global alignments as it already has a joint manufacturing venture in Europe: it holds a minority share in Dunlop Topy, in which the majority partner is British conglomerate BTR and which is Europe's fourth biggest wheel manufacturer after Lemmertz of Germany, France's Michelin and Fergat of Italy.

CASE STUDY Seats — By Peter Marsh

Battle for outsourcing supremacy

It is an industry with bottom. The car seats business, worth some $15bn a year in North America and Europe, is at the centre of a fierce battle for supremacy between the two main suppliers, Lear and Johnson Controls, both of the US.

Between them, the two companies control half the market for seats in these two regions, or some 70 per cent counting that proportion of it which is not met by in-house suppliers to the big car companies.

Both Lear and Johnson claim industry leadership; each is among the top 20 car parts suppliers worldwide as defined by sales.

They have prospered by homing in on the general trend towards outsourcing to a very large extent.

As a result of this, big carmakers, led initially by the Japanese but increasingly including US and European manufacturers over the past decade, have focused largely on design, assembly and marketing. They have left to outside companies a large part of the jobs of sub-assembly and parts manufacture.

Seats are a natural unit of car production to leave to outsourcing companies. They are less an integral part of the car than, say, the engine or transmission. As a result their production and, increasingly, their design, can be handed over to an external manufacturer.

This leads to large cost benefits, as production is left to highly focused manufacturers, who can concentrate on specific areas of design concerned with the style and safety of the seat itself, rather than on wider issues to do with the car such as fuel consumption and aerodynamics.

As one motor expert put it: "Seat manufacture is increasingly a specialised business which the car makers are happy to leave to someone else."

Lear and Johnson each have taken on in their seats business a method of operating that mixes in the technology of structural engineering with ideas more commonly associated with interior design.

In Europe and North America, each has about 100 factories making seats and related interior components on a just-in-time basis direct to the car production lines.

The trend to outsourcing in car seats is only about a decade old. As recently as 1984, US carmakers nearly all their own seats but now they buy some 70 per cent from outsiders, with the figure for Europe only slightly lower.

Lear and Johnson are largely excluded from Japan where the field is dominated by local companies. Outside Japan, their competitors include Delphi of the US, which is part of General Motors, Canada's Magna, Bertrand Faure of France and Keiper of Germany.

The two big seat-makers have followed an ambitious acquisition and investment strategy. In Europe alone, Johnson has spent $500m over 10 years building or acquiring seat plants.

Last year Lear surprised observers with its $926m purchase of Automotive Industries, a US supplier of interior trim products (such as plastic roof linings and door panels) which are seen as complementary to seating.

The two companies have differed in their approach to Japanese automotive groups. Johnson has formed joint ventures in Europe and the US with three of the main Japanese seat-makers, Tachi-S, Araco and Ikeda, whereas Lear has largely chosen to go it alone.

Johnson's strategy has put it in a good position for winning contracts with Japanese car manufacturing operations in the UK and US, for instance with Nissan and Toyota. It is hoping this will enable it to benefit from seatmaking work for other Japanese car plants to be built over the next decade in rapidly growing markets – in China, for example.

However, Lear reckons it can also win orders from these parts of the world. It is pursuing business in Indonesia and the Philippines with such companies as Ford, GM, Chrysler, Daihatsu, Fiat and Suzuki while in Korea it has licensed some of its seat-making technologies to Hyundai and Kia Motors.

It is also embarking on joint ventures – for instance, on production of some fabric components for car seats – in Thailand.

CASE STUDY Lights — By Peter Marsh

World beams on US vehicles

Signs of the increasingly international nature of the car components industry are becoming evident in the US automotive lighting sector.

While the top two suppliers are the inhouse lighting companies of General Motors and Ford, two of the big three US car makers, in third and fourth place and making headway on the leaders are a German/Japanese industrial grouping and a company controlled by one of Japan's big electrical lighting suppliers.

North American Lighting is in third position in the North American vehicle lighting industry which, according to CSM, a Michigan-based automotive consultancy, has total sales of about $1.3bn a year.

Fifty per cent of the stake in NAL is held by Hella, which with Bosch is one of Germany's big two vehicle lighting suppliers, with 40 per cent held by Koito and 10 per cent by Ichikoh, two of Japan's large vehicle lighting companies.

In fourth place in the sector is I.I. Stanley, based in Battle Creek, Michigan, and which is owned by Stanley Electric, another big Japanese manufacturer of headlights and other lighting for cars and other vehicles.

While Stanley Electric is noteworthy for having transferred a large chunk of its Japanese lighting output to its US subsidiary last year, on account of the strong yen and the attraction of having a US manufacturing base, NAL's rapid rise in sales in recent years has been particularly impressive.

Output from its two plants, both in Illinois, has grown strongly to reach an estimated $250m a year, including not just sales of lighting for new cars but spares for vehicles already on the road. The company has performed particularly well in capitalising on its Japanese links, and has emerged as a leading supplier to the US manufacturing operations of Toyota and Nissan, two of Japan's big car businesses.

The US operation has also marked out Hella – which with Bosch, France's Valeo and Magneti Marelli of Italy (owned by Fiat) is one of Europe's big four automotive lighting companies – as being the leader among this quarter of businesses in establishing a strong US manufacturing presence in vehicle lighting.

In the case of Stanley, the US subsidiary is believed to be making about 300,000 lamp units a month, with roughly a third of these exported back to Japan. In the past the company, a big supplier of finished lamps to Honda, has said that due to lower labour, energy and materials costs in the US, lamps emerging from its US production lines should be around 20 per cent cheaper than those from its factory in Hatano in the Kanagawa prefecture.

Other big players in the US car and truck lighting industry include Truck-Lite (part of Quaker State Corporation) and Wagner, which is owned by Cooper Industries.

A feature of the lighting industry worldwide has been the efforts by the big makers of vehicle lighting elements – the light source fitted inside lamp assemblies – to interest the car giants in new, highly intense sources which they reckon help overall illumination and therefore safety.

In the vanguard of these attempts are General Electric of the US, Osram (part of Siemens of Germany) and Philips of the Netherlands, all of which are working on new types of source built either around enhancing the light output from traditional halogen lamps or using a relatively new type of source called a gas discharge system.

Last November, GE brought out a novel form of halogen lighting which uses a special coating on the surface of the lamp to divert energy that would normally be wasted into illumination. GE reckons the system provides 35 per cent more light per unit of energy than conventional halogen lights and is the most efficient lamp of its kind available to auto makers.

Hella, meanwhile, is developing a system (called Celis) which uses fibre optic cables to pipe light from a set of central sources to different parts of the car, to illuminate areas where normally it is not cost-effective to put a single miniature bulb. The company reckons it should be possible to light up parts of the vehicle which may be difficult to see in the dark. Hella says the Celis system should hit the market in about five years.

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US-Japan trade deal: by Nancy Dunne

Benefits are seen

US car parts companies report "significant new opportunities" in Japan

The first Washington-Tokyo deal to boost US sales of auto parts to Japanese companies, concluded in 1992, was overshadowed by an unfortunate incident in which President Bush's lunch found its way into the lap of the Japanese prime minister.

When the world stopped laughing, the Bush Administration insisted that the "action plan" it had negotiated – which specified levels of Japanese purchases of US motor parts – would create thousands of jobs. In its defence, Bush officials insisted this was not "managed trade," but a set of numbers established as criteria "to identify problems ... and to correct those problems."

By the time President Clinton came to office, Japan's antipathy to managed trade solutions had grown more vehement. It took the Clinton administration nearly two years of threats, attacks and intensive negotiations before a highly touted auto pact was announced.

A report, covering the first six months of the pact, was released by the Commerce Department and the US Trade Representative's office last month. It concluded, on an unsurprisingly optimistic note, that the "intensive focus" on automotive issues has resulted in major advances for US companies.

Exports of US parts to Japan increased about 60 per cent from 1992 to 1995, growing from $1bn to $1.6bn. Since Mr Clinton's agreement was signed only on June 28 of last year, a large share of the gain must also be attributed to the unheralded pact obtained by Mr Bush on his first and only presidential export sales mission.

The six-month progress report says US parts companies that were previously unsuccessful in Japan are now reporting "significant new contracts and sales opportunities". One of these is Tenneco Automotive, which struggled to make headway in the Japanese market for 25 years, and has just now gained permission to sell Monroe shock absorbers through Toyota's 1,400 dealer-affiliated repair shops and in more than 6,000 Japanese service stations.

Ohio-based Dana Corporation announced that it had signed a contract with Toyota to be its first US parts supplier and sole provider of auto frames to a Japanese company.

A recent survey of American original equipment manufacturers by Washington's Automotive Parts Advisory Committee found that most of the respondents were participating in the design and development of Japanese vehicles. Many expected more design work in the late 1990s.

Thirty-one per cent of those who responded to the survey said they were working with Japanese companies in intensive co-operative efforts; 36 per cent said they were involved in more limited technical collaborations.

> A large part of the gain must be attributed to the pact that Bush obtained

For whatever reason – the higher yen, the cheaper dollar, lower costs or the pact – Japanese companies have been revving up their business dealings with US suppliers. Toyota is working with a US company, Bodine Aluminum of Missouri, on a $230m expansion of V6 engine production facilities. It has begun sourcing of about 300 small and mid-sized stampings, currently produced in Japan, with an $11m expansion of its Kentucky facilities. It is establishing a new company in 1996 to sell imported aftermarket parts in Japan.

Nissan is constructing a $30m engine plant in Tennessee; plans to begin US procurement of torque converters for automatic transmission this year; and has established a imports promotion committee in its Japan operations.

Honda is expanding its US engine plant capacity by 50 per cent over the next two years. It is doubling its research and development capabilities in both engine and vehicle production in the US and developing new products exclusively for the US and Canadian markets.

Mitsubishi is increasing its US procurement of column switches, key cylinders, shock absorbers, door hinge latches and automatic transmission shift levers. Mazda has begun construction of a consolidation centre in Mississippi to facilitate parts imports from the US.

The US administration acknowledges that it is difficult, at this early stage, to assess the full impact of Tokyo's promise to open its markets to replacement parts.

However, Tokyo has been moving ahead on its promise to eliminate regulations which act as import barriers. The Transportation Ministry eliminated four auto parts from its "critical parts list". This means shock absorbers, struts, trailer hitches and power steering systems do not have to be installed by "certified garages," which are affiliated to particular dealers and tend to carry few foreign auto parts.

The ministry also eliminated rules requiring inspections for most modifications to passenger vehicles. These regulations used to steer Japanese consumers toward "certified garages" and away from independent garages carrying foreign parts. The government also certified more than 730 new garages between July and November 1995. Most of these independent operations are expected to carry more foreign parts.

The agreement called for consultations between the two governments on standards and certification. On March 23, nine months after the signing of the pact, officials said they had reached agreement on 23 standards issues.

"Preliminary evidence indicates that the benefits of deregulation are already being realised," the six-month progress report said. "Japanese consumers have shown a very positive reaction to initial developments. As the number of independent garages and their ability to carry out a broader range of repairs increase, the opportunities for US auto parts makers to sell into the Japanese parts aftermarket will undoubtedly rise."

China: by Tony Walker

Taking the joint venture route

Many companies want a stake in what may be the world's biggest market in 10 years

China's automotive components market will be the world's biggest by 2005, worth $45bn, estimates Britain's Department of Trade and Industry. The UK components sector, like its competitors worldwide, wants to secure a share of such a promising market.

Mr Ian Lang, the trade secretary, and Mr He Guangyuan of China's Ministry of Machinery Industry signed a six-point agreement in February to facilitate UK involvement in the automotive components sector which is predicted to be worth $9bn in original parts between now and the turn of the century, and a further $24bn in replacement parts. Under the agreement a working group has been established to exchange information about business possibilities and help bring together compatible joint venture partners in line with China's policy of encouraging the growth of its components sector.

In 1994, China unveiled a new automotive industry policy aimed at converting a fragmented, low-volume, poor-quality sector into one of the country's "pillar" industries. Beijing instituted a "freeze" until this year on new entrants to passenger car manufacturing, pending development of the components sector, which was to be given priority.

Since the new policy was released, components manufacturers have negotiated dozens of deals with Chinese partners. This year alone, Tenneco has signed an agreement to produce exhaust systems; Wabco announced deals to produce automotive electronics and braking components; Toyota is poised to announce the setting-up of an engine manufacturing plant; and Delphi Automotive Systems has added to its presence in China with a joint venture to manufacture brake components.

Other major players in the field include Lucas Industries of the UK; Daewoo of South Korea; General Motors, Ford and TRW of the US; Bosch of Germany, and Magneti Marelli of Italy, to name a few of a lengthening list of global automotive companies drawn to the China market.

But China's automotive policy is not without its teething problems. Indeed, in the past year or so efforts to expand the automotive sector into one of the country's "pillar" industries have hit something of a pothole with a build-up of inventories and falling prices.

The official China Daily Business Weekly published details this month of a survey which reported that of the country's "top-eight automakers" only Shanghai Volkswagen Automobile had reached economy-of-scale production, turning out 160,000 Santana cars last year and aiming for 220,000 this year.

Most automakers had been obliged to slash prices in response to falling sales. For example, the First Auto Works in Changchun, north-east China, which produces Volkswagen Jettas and also Audis, cut prices by as much as 30 per cent in the past two years to below cost-of-production levels.

"The downward spiral, a response to the slack auto market, has aroused widespread concern," the China Daily noted. "Institutional purchases are strangled under the nationwide tight credit programme and anti-corruption drive, and individuals shy away from the market under the weight of taxes, fees and traffic bans in some areas."

> The time is not yet ripe for a love affair with the motor car

The time is not yet ripe, it seems, for China to launch itself headlong into a love affair with the motor car. But foreign automakers and components manufacturers are in China for the long haul and are not likely to be fazed by the market's present downturn.

Under its Policy for Automotive Industry Enterprises, released in July 1994, China plans to consolidate its vehicle manufacturing sector into two or three "large-scale" vehicle-producing conglomerates backed by a strong indigenous components sector.

The policy envisages sedan car production reaching 1.2m units by 2000 compared with 320,000 in 1995. Total vehicle production would reach 3m as against about 1.5m last year.

Tough local content rules will be a boon to the components sector as China's vehicle production rises, but in view of the industry's difficulties some of the optimistic growth forecasts may have to be scaled back, though commercial vehicle sales will continue to drive the market for the time being.

Peregrine, the Hong Kong-based investment bank, in a report last year, said that "manufacture of commercial vehicles will for some time continue to dominate the market in terms of sales volume. In looking at historical figures, markets such as Japan and South Korea both began with an explosion in commercial vehicle demand; only after this was the market then taken over by subcompact cars."

Given this state of affairs, Peregrine recommended that components manufacturers seek joint venture partners to work with such companies as First Auto Works and Shanghai Auto Works which have a "stranglehold" on the commercial segment.

Investors in the components sector also have the advantage that they are not constrained from taking stakes of more than 50 per cent in joint ventures. Foreign companies involved in vehicle manufacture and assembly, on the other hand, are not allowed to exceed 50 per cent ownership.

Japan: by Michiyo Nakamoto

The survival of the fittest

The industry is undergoing a shake-out, while competition from overseas is growing

Last month, when news that Ford was to take a controlling stake in Mazda reached Hiroshima, the Japanese car maker's home town, there was widespread concern about what this would mean for car parts suppliers in the region that have long depended on Mazda for the bulk of their business.

But for all the car parts makers who worried about the impact that Ford's influence on Mazda would have on their future, there were also many parts suppliers who welcomed the expanded opportunities the new regime might offer.

"If we can win an order for a standardised part (for both Mazda and Ford cars), production will increase by several times," one Hiroshima-based maker of gears was quoted as saying at the time.

These are turbulent times for Japan's auto component makers. The yen's sharp appreciation until last summer, the move among Japanese carmakers to shift production overseas and the resulting fall in domestic production have combined to squeeze the profits of even the strongest in the industry and forced a reassessment of long-standing business practices.

The trials facing Japan's vehicle component makers have triggered a shake-out in the industry from which the winners are expected to emerge stronger and more profitable at the expense of the losers.

Over the past few years, the yen's rise has severely tested the ability of car parts makers, ranging from world-class giants to small, family-run operations, to reduce costs and provide the kind of value for their customers which foreign competitors cannot offer.

At the same time, the drop in domestic production, resulting from the globalisation of Japanese carmakers and accelerated by the yen's appreciation, has forced component makers to look for growth beyond their traditional business relationships both in and outside the country.

The pressures weighing down on the industry have divided the fortunes of Japanese component makers depending on their individual ability to deal with the more stringent demands being made on their performance.

Most parts makers have directed their efforts towards cutting costs and developing new customers as they have sought to weather the difficult trading climate.

Measures have been implemented to raise production efficiency, source more materials from lower-cost countries overseas and standardise parts and materials that they themselves use, to achieve economies of scale. While the relentless demands by carmakers to slash their prices appear to have peaked last summer when the yen reversed its appreciating trend, pressure to lower costs has continued.

For example, the stronger yen has encouraged Japanese carmakers to use the indicated prices of foreign suppliers as a benchmark to keep the prices of their domestic suppliers down. "The prices of ABS systems have halved over the past few years because Japanese carmakers have used the lower prices of foreign companies as a benchmark," points out Mr Enda Clarke, industry analyst at Dresdner Kleinwort Benson in Tokyo.

Carmakers emphasise that price is not the sole criterion in determining which companies win contracts to supply them with parts. "Japanese carmakers buy about 70 per cent of their parts from outside, so they look for ideas from their suppliers about what kind of new components might be installed in the next model. In the US, suppliers make parts on the basis of specifications supplied by the carmaker so they are not used to providing ideas," points out a Toyota representative.

Nevertheless, there is no question that foreign competition is increasing, particularly for parts used in cars produced by Japanese makers overseas. Carmakers themselves emphasise that the pressures they face mean they can no longer be as protective of their traditional suppliers as in the past.

The practice of procuring from within a group of traditional suppliers is losing ground and more carmakers are buying from suppliers which can provide the best product at the best price, regardless of affiliation. Toyota, for example, is using headlights supplied by a Nissan-affiliated maker, Ichikoh, on its RAV4 recreational vehicles, instead of the Toyota-affiliated Koito Manufacturing.

In this environment, stronger parts companies, such as Nippondenso, are expected to do very well as the benefits of their restructuring efforts come through. Nippondenso has just reported a 17 per cent increase in recurring profits in the year to March, compared with the last full financial year which ended in December 1994.

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Glass: by John Griffiths

The all-powerful windscreen

Innovations in the next few years should reduce crime and increase safety

The traditional perceived roles of the vehicle windscreen, keeping out rain and wind and as an instrument for the mass murder of insects, are becoming out of date. Vehicle glass is undergoing a technological revolution almost as far-reaching, in its way, as that of in-car electronics.

Within the next few years innovations in vehicle glass will include rain-sensitive windscreens capable not only of detecting rain and operating wipers automatically, but perceiving the severity of the downpour and regulating wiper speeds accordingly.

Such a system has already been developed by Pilkington Automotive, a division of the UK group, whose glass is fitted to 25 per cent of the world's car population.

The system is not a gimmick, insists Mr Roger Thomas, group vice-president. It works by means of a small unit mounted on the windscreen near the rear-view mirror, which measures the reflected light from light-emitting diodes bounced off the screen. Moisture on the outer screen surface changes the reflection's characteristics, activating the wiper system.

By the time the system is in widespread use, the wipers should have less to do in any case; for other glass developments include a super-smooth surface finish designed actually to repel rain.

Toyota has already launched on the Japanese market its first models with side glass, supplied from Nippon Sheet Glass, treated with a compound which reduces the surface tension meniscus of rainwater so that it no longer clings to the glass. The technology is expected to be taken up more widely within five years, although technical problems remain in terms of durability when applied to windscreen glass.

Also expected to spread increasingly through vehicle production is solar-reflecting glass, capable of excluding most of the sun's heat currently let into vehicle interiors by conventional glass. According to Pilkington, conventional glass keeps out less than 20 per cent of solar-generated heat, whereas the reflective glass excludes 80 per cent. It is already being used by North American carmakers, particularly for vehicles destined for sunny markets such as California and Florida.

Destined for wider use also, says Pilkington's Mr Thomas, are heated front windscreens – increasingly needed as fewer vehicles enjoy the luxury of garages. Pilkington's Triplex subsidiary "Hotscreen" is already seeing use in Ford's top Scorpio models, for example, and as production economies of scale build up, applications in cheaper cars are expected to follow.

The role of windscreen glass as a location for an embedded radio reception antenna, safe from vandals and automatic car wash brushes, is expected to increase substantially. The amount of external data transmitted to a vehicle is destined to become more complex. Satellite-based route guidance information, mobile phones and fax/computer transmissions are likely to require separate aerials for most efficient transmission and in the future are most likely to be conveniently "packaged" within a vehicle's front or rear screens.

With car crime soaring through much of the developed world, glass is also seen as having a more prominent role to play as a security measure. While windscreens are now laminated and resistant to catastrophic failure, most vehicle side window glazing is made of easily-shattered toughened glass. But for a relatively low cost premium – around $150 on a small family car – laminated glass could be substituted as a security measure, keeping thieves out and – in the unwelcome event of collision – helping keep occupants in. One quarter of passengers thrown out of a vehicle in a crash are killed, compared with fewer than one in 20 retained inside, according to Birmingham University's accident research centre.

Further off – but still within the next decade – are windscreens incorporating "HUDs" (head-up displays), in which information is projected into the driver's line of sight instead of requiring a glance down at the dashboard. Pilkington and several vehicle makers are working both on this and a night vision enhancement system based on the infra-red technology used by military forces.

Unfortunately, hopes raised by BMW earlier this year that it had an answer to one of the worst problems to plague motorists – bugs splattered on windscreens which are then baked by the summer sun – proved short-lived. The German carmaker said its Munich research engineers had developed a flexible and transparent "IDS" (Insect Deflector System) windscreen surface coating of styrene, butadene and isoprene. "In tests, cars have been able to drive through swarms of insects at speeds up to 95mph unscathed – the insects colliding with the screen simply bouncing off," the press release reported.

It was dated April 1.

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PROFILE **Apollo Group**

A haven from prejudice

With academia elsewhere closed to teaching for profit, the company's boss turned to Arizona

When he was not wrestling with politicians and educational regulators, John Sperling used to keep fit and feisty by banging his head against the brick wall of academic snobbery. Now, at 75, the president and chairman of Apollo Group keeps in shape with a couple of gymnastic work-out sessions a day.

It has been a long haul since Apollo's launch in the mid-70s but the founder of the largest for-profit educational company in the US shows no sign of flagging.

The University of Phoenix, flagship of the business, has 35,000 enrolled adult students at 70 US campuses. A further 13,000 study courses conducted at 100 other colleges by Apollo's Institute of Professional Development and the recently acquired Western International University.

Almost 2,000 students now log on regularly to online learning sites, and Mr Sperling predicts that, in five years time, there will be 100,000 worldwide bettering their brains and prospects via Apollo's Internet service.

A bold new venture in the planning foresees online learning for the victims of America's ailing elementary school system. Marketing of online courses will start soon in Britain, at present home to just one WIU campus in London's Docklands. PhD courses are planned for next year to complement a product offering which ranges from MBAs and less grand business courses, through MSc in computer information systems to bachelor's degrees in nursing.

"Now that we're sitting on a pile of money we can afford to be really creative," he says.

Since going public in late 1993, Apollo's share price has increased 1,200-fold, he says. Revenues have doubled in the interim to $163m last year, while net profit has risen by a factor of 20 to almost $13m.

A recent secondary offering of 1m shares netted Mr Sperling and other executives some $85m, leaving the president and his son Peter – vice-president, administration – still holding about 48 per cent of the stock.

Mr Sperling is uncertain of prospects for success in foreign markets not because of doubts about his product, but because of his experiences in the US. "Education in the UK and Europe is still government dominated. Even universities that are supposed to be independent are under government control," he says.

But he has little doubt that education for profit has broken the barriers of prejudice which stalled Apollo for years. "They used to look down their noses at us. Said we were a ratty little diploma mill," he says.

"For a long time we were treated like pariahs. But since we have gone public we have become the Cadillac of education schemes. A year ago we had the analysts in and they didn't believe a word I said. But that's changed," he says.

"John is a brilliant entrepreneur with an excellent idea well executed," says Peter Appert a stock analyst at Alex Brown & Sons in San Francisco.

"He looks at education in the most basic sense as a product. He has made it appealing to the consumer, easy to buy and added value. But make no mistake, this is no overnight success. He has overcome tremendous regulatory and political hurdles."

The first hurdle was Mr Sperling's former state university employer who turned up its nose at his concept (developed courtesy of federal grants). "They said it wasn't their kind of thing," he recalls.

The first break came from a friend at private, not-for-profit Stanford University, who concluded that the only place for commercial private university education to prosper was in a private university, on condition that it was in danger of going bust.

A Jesuit, Father Bill McGuinness at the University of San Francisco, listened, attracted 1,500 students in the first year, and resolved his financial crisis.

> 'Since we have gone public we have become the Cadillac of education schemes'

Mr Sperling's Institute of Professional Development (IPD) was soon providing similar services to other colleges, and its inventor found himself stuck doing the wrong thing. "I was spending 90 per cent of my time on professional maintenance, sitting in committees with deans and such," he says.

Looking for an opening in the regulatory thickets and academic ranks which were closed against accreditation for a man obsessed with the vulgar notion of teaching for profit, he chanced on Arizona. "It was like the Wild West in 1976. All I had to do was go down the road and register a name," he says.

Drawing cash flow from IPD and investing $3m, he opened the University of Phoenix, which today occupies two elegant buildings close to the city's airport, and a comfortable distance from the teeming campus of Arizona State.

UOP has no clubs, dormitories, bars or sports facilities. "This is a corporation, not a social entity," Mr Sperling says. "The most precious thing our students possess is their time. Coming here is not a rite of passage. We are not trying to develop their value systems or go in for that 'expand their minds' bullshit."

Typical UOP students are 35, have an average 10 years' work experience and live in households with $65,000 annual income. "These are solid middle-class types who are determined to remain middle-class," says Mr Sperling.

They are drawn to the university partly by personal desire to rise off a career plateau or, often, with encouragement and financial help from their employers.

The incentive, says Mr Sperling, is in dramatic changes in remuneration rates for educated workers. A university graduate who in 1980 could earn 25 per cent more than an age-group peer with high school qualifications, can now enjoy a 95 per cent premium.

More than a quarter of the students from UOP's Class of '92, according to a recent poll, claim to be earning between 30 and 50 per cent more than they were before graduation. A further 54 per cent have improved their incomes by between 10 and 20 per cent, while 20 per cent have managed 10 per cent or less. "Of course, they might have been lying," says Dr Sperling.

But, he says, there can be no challenging officially verifiable data on the basic economics of his system. Building a public college takes 10 years and costs $1,660 a student place. "I can open in leased premises in six months for a capital outlay of $452 a student," he says.

The average, overall annual cost of public university education in the US is $7,618 a student. Costs at private not-for-profit institutions – after allowing for tax exemptions, grants and loan subsidies – are almost the same.

The UOP model, however, generates a net return in corporate and other taxes of $101 a student, Mr Sperling says.

At the grass roots, student confidence is high. Alumni ratings show 70 per cent ranking their courses as "good or outstanding". The university also has the trust of some of the biggest US corporations. It is

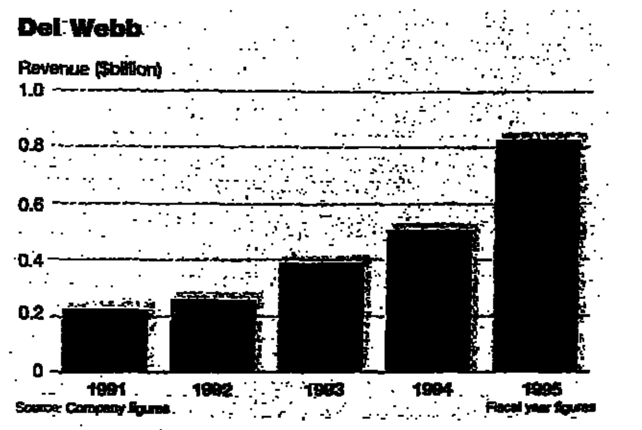
> 'These are solid middle-class types who are determined to remain middle-class'

sole provider of further education to AT&T, the long-distance carrier, which last year spent $4.5m with the company.

There is even some recognition in the airy realms of the academic world, where, as one analyst notes "the concept of growth is still really out of the box".

PROFILE **Del Webb group**

Where snowbirds come to roost



A fast-growing group: more than 70 per cent of the homes Del Webb has built to date are designed for people aged 55 and over *David Hurn/Magnum*

"Retirement is an industry and it should be treated as such," says John Spencer, chief financial officer of the Del Webb group. He says its contribution to creating jobs and wealth should be acknowledged in tax policy, for example with special consideration for retirees who often live on fixed incomes.

Mr Spencer has in mind the thousands of pensioners who move from elsewhere in the US to a retirement in the Sun Belt: California, Florida, Texas, Nevada and Arizona.

California and Arizona, home to the Del Webb development group, are the only two which still levy state income taxes.

The burden is not severe, and Mr Spencer's argument may seem a quibble, but not to Del Webb, which is a company increasingly dedicated to building homes in master-planned communities for people aged 55 and over.

More than 70 per cent of the homes it has built to date are designed for this fast-growing and relatively wealthy group, politely known as "active adults". The focus has sharpened since 1989, when the group sold the last of its diversified interests in resort activities and gaming.

Every day more than 6,000 Americans celebrate their 55th birthday. Three years from now, the number will be 8,000. Today's 55-year-olds have an average 20 years ahead of them.

Worth $3bn a year now, the retirement housing industry is expected to increase tenfold by 2011.

Some 80,000 people live in Del Webb's five tailor-made Sun Cities throughout the Sun Belt. Their requirements support some 600 local businesses, and they give thousands of hours in voluntary community services. They even put up with being called Sun Citians.

In the Phoenix area alone, Del Webb reckons residents have a combined net worth of $8bn, and annual income of $1bn. They spend $300m on goods and services ... and pay $32m in local taxes.

Del Webb says its retirement communities are not corrals for grey Americans awaiting death.

Mr Spencer rejects charges of social engineering: "We foster their living environment. We build golf courses, swimming pools, ballrooms and theatres, then we turn the facilities over to the home-owners' associations.

"Some experts say we are wrong. But it is not wrong to have a homogeneous society. The residents choose to live here because they have much in common with people of their own generation."

But they also show diversity. Some still work. Most are active outside their often guarded and gated communities. "But at nights they come home where they feel safe," Mr Spencer concludes.

Although Del Webb's results have historically demonstrated its target market's extreme sensitivity to economic swings, the company feels safe in its niche. So-called push factors – congestion, crime, pollution and frozen winters – show no signs of relenting in regions more densely populated than the Sun Belt.

Pull factors – resort atmosphere, relatively low costs and security – are Del Webb's stock-in-trade. The good weather comes free.

Truth and fiction: the real Sheriff Joe (left) with the 'pretend' sheriff of Rawhide, a Wild West 'town' where tourists can have their picture taken inside his pretend jail *Chris Parker*

■ **Profile: Joe Arpaio**

Taking a tough guy stand

Maricopa County's sheriff has become famous for his no nonsense approach to crime

Joe Arpaio, Sheriff of Maricopa County, who has just published his autobiography*, reckons he is owed an award by Arizona's tourism industry. "You saw what happened in Florida when those scum shot nine German tourists," he says. "But people can come here and know they're going to be safe."

Sheriff Joe is a snappy-snarly Wild West hero in chino pants, who has drawn international attention with his tough-guy response to crime. He still advertises vacancies in his famous Tent City prison. The complex of ancient canvas scrounged from the military houses more than 1,000 convicts, who lunch on baloney sandwiches, get no coffee, no movies, no cigarettes, no soft porn – and precious little sympathy from the Phoenix populace.

Mr Arpaio, now an elected law man after a hair-raising 35-year international career with the federal Drugs Enforcement Agency, is reputedly the most popular politician in Arizona's history.

The canvas jail was his response to budget cuts which would otherwise have forced him to free prisoners for lack of more usual accommodation and guards.

It was also a manifestation of his conviction that prison is a punishment and that recidivism can be reduced only if criminals can be made to dread confinement.

Since prisoners readily volunteer to work in shackles on his chain gangs, it can safely be assumed that Tent City is working.

So too is Sheriff Joe's 2,500-head posse of volunteer civilians. This provides his cash-strapped department with millions of unpaid hours of work annually including helicopter services and horseback patrols. It has made its name in sweeping prostitutes, car-jackers, pickpockets and drug dealers off the streets of Phoenix.

Often armed, and under the supervision of a deputy, they are usually deployed in large groups, a tactic known as "overwhelming force". Within weeks of the launch of an anti-drugs initiative, the posse had rounded up 300 dealers.

Now, Len Sherman, a posse member and co-writer of the sheriff's book, is working to establish a National Posse Alliance to extend the raw populist tactics of the Maricopa County force throughout the US.

He is also negotiating with the Viacom media group to collaborate on a fictional television series pilot featuring "the ordinary people and the volunteerism which make the posse work". There will, naturally, be a "central figure", who may or may not be based on the real-life star.

Sheriff Joe appears to find previous fictionalised versions of his work unsatisfactory. Writing of his time based in Turkey, he says: "It was just me, my snub-nosed .38, and a very small bankroll, up against the international opium trade.

"The task was daunting in scope and importance. Turkey's endless fields supplied the opium for the laboratories of the Corsican syndicate in Marseilles, which converted the raw material into ... heroin which was shipped to America ...

"I would finally break the conspiracy and arrest Armand Ricord, the mastermind of the entire operation, whose power and position were so entrenched that I had to secretly spirit him out of Paraguay and to the US against the opposition of our own ambassador.

"A Hollywood movie would later dramatize, immortalize and misrepresent a small part of this criminal enterprise, known to the world as The French Connection."

* *America's Toughest Sheriff – How we can win the war against crime, by Sheriff Joe Arpaio with Len Sherman, Summit Publishing, about $25.*

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■ **Profile: Jerry Colangelo**

Mr Phoenix spreads his wings

The owner of the Phoenix Suns is one of the most influential figures in the state

According to popular theory Jerry Colangelo became Mr Phoenix by default.

"It's odd," says one fan, "that the most powerful man in town should be a sports magnate. But he was just about the only influential figure left at the end of the '80s.

"First all the savings and loans went under. Then the banks were taken over. Then all the executives at America West [the airline] were thrown out. That left just Jerry."

Mr Colangelo, who arrived in 1968 as manager of the the Phoenix Suns basketball team, likes this analysis. Along with a jumble of more routine commercial ventures, he now controls the Suns and has interests in the soon-to-arrive Arizona Diamondbacks baseball crew and the Phoenix Coyotes hockey team.

"I have been a constant while all the others have turned over," he says. He has not courted prominence, he claims. It has been foisted on him by virtue of his experience and the natural tendency of newcomers in the business world to gravitate towards the best source of local know-how.

Charles Barclay of the Phoenix Suns basketball team which is owned by the sports magnate *Jonathan Daniel*

Another view that is frequently aired, is that Mr Colangelo is a wheeler-dealer of the "good ole boy" type who has Manipulated a weak city government to his own benefit.

Opinion is also divided on the value to the economy of his part in revitalising downtown Phoenix. He was the force behind the building of the America West basketball arena and the soon-to-be-completed baseball stadium just two blocks away.

"Every city should have a heart to it," he says. And in a young community such as Phoenix, with no traditional focal points such as a cathedral, and without the "old money" to support artistic performances or museums, sports can act as the necessary social "glue", he says.

"Five million people a year come visiting downtown now, and there will be 10m a year in 1998," he says. They bring jobs and life to an area usually deserted after office hours.

Mr Colangelo's success in persuading the city to contribute taxpayers' money first to build the Suns' arena and now the $300,000 baseball stadium still rankles with many business leaders in the area. He calls it "public/private partnership and a model for the future".

Eric VonDohlen, a public policy researcher at the conservative Goldwater Institute, objects to this on policy grounds. "I don't believe it is civically important to have a vibrant downtown. Central Phoenix is like Houston: no-one lives there."

Those who promote inner-city life are merely hankering after rosy half-memories of life back east in New York City, he says.

In an area in need of infrastructure investment, he finds it "an extremely poor idea" to fund publicly an effectively private project, even though the stadium will be owned by the county authority and will earn rent.

Disgruntlement extends far beyond the ranks of opponents identified by Mr Colangelo as "anti-tax people who went bonkers when they heard".

But no one doubts his contribution to putting Phoenix on the map. The city once rejected by an NBA committee as too "western" for a franchise, will soon be one of only a dozen in the US with big league teams playing all four of the US's leading sports.

The fact that Phoenix staged this year's Superbowl football clash – attracting thousands of fans and national media attention – was ultimately due to Mr Colangelo's influence, one ally says.

Matt Crow, president of the Arizona Biltmore hotel, goes further. "The Balkanisation of the Valley was once regarded as a big obstacle to its economic success. There were too many separate municipalities," he says.

"But now people are united behind a sports team. They have a link. Nobody here believes the Suns don't belong to them personally.

"That's Jerry Colangelo's greatest contribution: he's established a common cause."

PROFILE The Daily Racing Form

Turf paper backs the state capital

Social decay in its former home base of Koreatown, central Los Angeles, was a significant – but not the only – factor influencing the decision of the newspaper Daily Racing Form to shift its offices across the desert to Arizona.

In the late 1980s one company driver had been shot and another employee had been mugged cashing his pay cheque. Then, in 1992, when rioting looters used the front lawn of the national turf daily's former head office as a marshalling yard for their haul, the management could no longer ignore the rate of decline in the neighbourhood.

According to Bill Dow, chief operating officer, the company also had to contend with the "unfriendly" business climate in LA. In addition, it faced a steadily shrinking market, an ageing readership profile and the need to update its production.

It had been wakened from its editorial complacency by sharp but short-lived competition from the late Robert Maxwell's upstart Racing Times. At the same time, its management was under pressure from its new owners to improve performance.

Daily Racing Form, the oldest and still the only daily newspaper covering thoroughbred racing in the US, had been scooped up shortly before by K-III Holdings. This steadily-growing media offshoot of the Kohlberg Kravis Roberts group publishes an eclectic list including Seventeen, National Hog Management, and Funk & Wagnall's New Encyclopaedia. Revenues are currently about $1.2bn a year.

The century-old paper's 30-year-old printing presses were beyond further conversion, and the Racing Times technology had put the old-stager's glue-pot techniques to shame.

Accordingly, printing was contracted out to seven sites across the country. The best of the would-be competitor's desk-top publishing technology was bought for knock-down prices.

Since early 1993 the daily process of generating and disseminating 3,000 different pages of editorial text and tables has been carried out in an airy Phoenix office.

As Mr Dow has discovered, "you can operate electronic publishing from anywhere".

Correspondents file material from racing centres around the country, and 60 staffers in Phoenix take care mainly of editorial production and management.

The paper's challenges now lie strictly in the marketplace, says Mr Dow, where the fortunes of live horse racing are fading in the face of competition from casino gambling and ball sports.

"The total amount of money bet is going up. But racing is a pretty expensive proposition for fans and owners. Our main market is people in their fifties with both time and money," says Mr Dow.

The rising popularity of betting on horses from the boozy-cozy confines of America's sports bars has prompted the paper to help fund generic promotions in a joint venture with track owners aimed at enhancing race track services and drawing participants – especially younger ones – to live events.

Revenues from sales of the paper, which peaked in the mid-1980s at about 30m copies a year, are being bolstered by services to race tracks which include race card and programme production, printing and data services.

■ **Property**

Developers' pulses rise

With office vacancy rates at only 10 per cent, prospects for the sector look good

The floods of office space which have swamped the Maricopa County market since the late 1980s have dried up. As a result, rents increased last year in an estimated range of 15 to 25 per cent to an average $14 a sq ft, raising the pulse rates of developers and estate agents.

After a four-year respite during which no new buildings were started or opened, and net office absorption rates averaged almost 1.4m sq ft a year, the Phoenix area stands on the brink of "a very significant property boom", according to Elliott Pollack, property consultant.

It will not, however, be as significant as the last boom which, at its light-headed height in 1986, saw more than 80 new office buildings sprout in one year. By his reckoning, construction of commercial property in the Greater Phoenix area – already stirring – will gain pace towards the end of the decade.

Current developments include last month's start on the first phase of the 500,000 sq ft Sumitomo silicon wafer factory, which is expected to generate revenues for local builders alone of almost $100m.

A 1m sq ft business park – the biggest in the state – is planned on a 30-acre site close to the Sky Harbor Airport which has been sitting idle in the portfolio of a Missouri-based investor for 10 years.

In Scottsdale, to the north, Smith Barney, the investment brokerage, will anchor a 250,000 sq ft, three-building project, construction of which has just started.

According to local analysts, the change of focus in the construction industry from heavily labour-intensive home building to commercial property will slow employment growth in the sector from more than 8 per cent last year to about 3 per cent this.

However, the expectation of further immigration – and the addition of more than 160,000 new households by the end of the century – is predicted to ensure the building industry maintains its role as a principal economic driver.

Office vacancy rates in the Phoenix area are at their lowest in more than 10 years, and, at 10 per cent last year, were one third of the 1986 peak, when the market was inundated with more than 5.6m of new square footage at the height of the region's last, ill-fated boom.

Office vacancy rates are expected to shrink to a slender 8 per cent by the end of this year, and reach the turning point in a six-year slide. In 1991, when the city saw its last office construction project completed, vacancies were still close to their cyclical peak of 25 per cent.

The net result, according to Mr Pollack, is that the city will soon need up to 10m sq ft of new space in the medium term for its fast-growing service industry base, and a further 25m sq ft for industrial purposes.

Although Arizona's economic growth is moderating, and US inter-state migration is slowing as national conditions improve, the incentives to invest in the Phoenix area remain strong.

"The issues include less-defined restrictions on development than in the San Francisco area, for example," says Tom Miller of Jones Lang Wootton in Los Angeles.

"Supply and demand ratios have improved significantly, but the quality of life thing is such a positive, as well as affordability."

> Phoenix will soon need up to 10m sq ft of new office space

While much commercial development occurs on the fringes and in suburbs – a factor helping ease freeway congestion – downtown Phoenix's resurgence has also roused interest in the construction of at least one new international hotel.

According to a survey of leading local estate agents by the Arizona State University, office space absorption will rise 25 per cent this year to 1.5m sq ft, spurring ground-breaking on new projects to supply a further 500,000sq ft.

The construction rate will more than double in 1997, while availability will continue to shrink, the study says.

In the residential branch the apartment market is reasonably balanced after permits were issued for 9,000 units last year – a 33 per cent increase – while demand for single-family houses is probably past the peak this time round, according to Mr Pollack.

ASU data shows that retail development more than doubled last year, and foresees modest declines this year and next, with fairly steady absorption keeping the vacancy rate at about 8 per cent annually.

As elsewhere, much attention has focused on the development of one-stop so-called "power centres" which typically comprise clusters of fiercely competitive retailers.

While such developments are still buoying the market, there is some concern that the cut-throat strategies driving their construction – combined with emergent competition from Internet selling – may lead to a less favourable future.

Although the latest data shows a retailing vacancy rate of about 9 per cent, some analysts claim Arizona has more than double the national average number of shops and stores per resident – and almost four times as many restaurants. Leisure spending may have its limits, they suggest.

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■ The Navajo Nation

Chipping away at the glass curtain

Boosting the economy could mean more contact with damaging non-Indian culture

Just like America's other president – the one in Washington – Albert Hale governs in trying circumstances.

At one level, in his faraway capital at Window Rock on Arizona's eastern border, the elected president of the Navajo Nation governs 220,000 people with a shrinking budget, buffeted by tribal strife, and mired in a stifling bureaucracy.

While President Bill Clinton has bothersome neighbours in Cuba, President Hale contends with the Hopi, whose reservation is entirely enclosed by Navajoland's 28,000 sprawling square miles.

At another level, the leader of the largest Native American group in the US is torn between the need for economic development and capital and the entrenched desire the Navajo share with many other Indian peoples – to remain isolated from the alien influences and and social ills of the "New Americans".

"Our isolation and the lack of infrastructure is beneficial because it keeps people away," he says.

But in the same breath, Mr Hale concedes that in a high-desert land of climatic extremes, where two-thirds of the homes cook on wood stoves and have no electric power, there is a need for "infrastructure – roads, power and water lines".

He still has no clear answer to the conundrum of how the dead-in-the-water Navajo economy can be made to move without the lubrication of imported capital, skills and outside influence.

His total government budget for this fiscal year – comprised almost entirely of falling federal grants (some 75 per cent of total revenues) and coal mining and oil pipeline royalties – is $93m, down from $101m last time.

Mining corporations are the outsiders with whom Native Americans have the longest and – if the term is appropriate – easiest relationships. Mr Hale, a rarity among the Navajo with his lawyer's training and 15 years of free-market experience, wants to "restructure" relations with the extractive industries.

He sees an opportunity in the looming deregulation of the US energy industry, presaged by power price cuts in Arizona and planned reductions in California, which are already eating into coal prices and Navajo royalties.

> 'I want to discuss and partnerships with the mining companies'

"I want to discuss joint ventures and partnerships with the mining companies. There are a couple we know which are interested in opening new lands for mining," he says.

A new deal would require an entrepreneurial spirit which has yet to manifest itself in a sovereign national economy which relies for most of its wage-earning employment on the federal and Navajo governments.

Mr Hale wants to cultivate business attitudes and foster risk-taking through an abrupt break with the methods imposed along with the reservation system by the Bureau of Indian Affairs – and replace them with the decentralisation strategies adopted by governments and corporations worldwide.

Money is the lever he has applied under his proposed local empowerment project. It calls for the proportion of his national budget dispensed by the Window Rock executive to be reduced from 59 per cent this year to 20 per cent in 1998. The 19 per cent currently at the disposal of 110 local "chapters" – a loose term for Navajoland's tribal, clan and geographic subdivisions – will increase to 60 per cent.

The aim is to end the bureaucratic stranglehold of the centre on local planning and business development projects and, by allowing local units to make their own plans, to foster small businesses which may encourage the nation's brightest to stay.

"We discourage the young from staying here and developing businesses by the red tape we have put in place," says Mr Hale. "We call it the brain drain."

However, factions in the entrenched bureaucracy, a tight-knit group clustered in the status-rich neighbourhood sheltered by the wind and water-carved Window Rock outside his office window, resist his schemes.

Other hurdles to be overcome include the meagre supply of highly-educated individuals and skills. Funds seem even more of a problem, with only $18m of central budget money to go round this year, and a business development fund which has just $2m in the bank.

Big city financiers are one potential source of aid, but they are clearly not top of Mr Hale's visiting list. "I'm still deciding where we will go for finance," he says.

Once again, the Navajo Nation seems to be pressing hard against the glass curtain which separates and protects it from further encroachments by the outside world.

Mr Hale, who as a boy was saved from tuberculosis in a modern hospital after traditional medicine and ritual failed, is unusual in that he has lived beyond this curtain and returned. He appears to have come back with his resistance and his resentment of alien influences reinforced.

Impressed in the '60s by the civil rights and Black Power movements, he concluded, as he said in a recent interview: "While they control the rule-making, they control the game. So I went to law school."

Now he is helping make new rules – guided by experience which started with learning self-reliance as a shepherd boy and stretched to membership of the New Mexico Bar Association – which he hopes will ensure the economic and cultural prosperity of the Navajo.

Gambling dollars, harvested as the "new buffalo" by many other Native American peoples, were narrowly rejected as a potential source of revenue in a recent referendum. Mr Hale's economic advisers urge a review. But he stands fast.


Albert Hale, president of the Navajo Nation

The lawyer-statesman in him takes issue on principle with federal legislation which says the Nation must have the approval of Arizona state authorities in order to open casinos.

"If I am a citizen of a sovereign state, that must be my choice," he insists. And if pro-gambling factions want to reopen the issue "then they must first ask the people again".

But it is the Navajo in President Hale which provides the sternest resistance to casinos. Although drink is banned on the reservation, the roadsides glitter with bottle shards and alcoholism is prevalent.

"We already have our share of social ills. Why add to them?"

■ Hopi-Navaho relations

Ancient grudges fuel modern disputes

The two tribes have fallen out over water extraction and ritual doll manufacture

"In the natural order of things the Hopi would drive off the Navajo, and keep them at a distance," says one local in the mesa lands of the Hopi Indian reservation.

But natural order in the Hopi tribe's territories – spread around villages continuously inhabited by the same people for at least 1,000 years – is debased by intrusion and constrained by the imposition of artificial reservation boundaries.

The nature of the ancient resentments between the two groups has changed little. They stem from cultural differences rooted in the agrarian, congregating nature of the Hopi and the looser, more nomadic Navajo tradition.

Conflicts of economic or, often, spiritual interests between two communities encircled by reservation fences can still lead to violence. Straying cattle may be shot. But legal action and face-to-face negotiation are more commonly used to settle disputes.

The Hopi recently lost a battle to gain legal protection for their internationally-known "trademark" Kachina dolls. Hopi representatives alleged that five Navajo-staffed "factories" had been opened in New Mexico to mass-produce the ritual figurines, symbols of messenger spirits linking the Hopi with other spirit bodies.

"Legislators in Phoenix are now providing [conditions] so stealing of Hopi culture by Navajos will become legal," claimed the protesting Hopi chairman, Ferrell Secakuku.

Even when the tribes could have a common cause, there is room for friction. The use of vast quantities of scarce desert water supplies for slurrying coal from the Peabody group's workings on Black Mesa is aggravating tensions.

According to hydrological surveys and anecdotal evidence from farmers, parts of one the region's largest aquifers – vital to both communities – are collapsing and springs are drying up. Royalties from Peabody, part of Hanson, provide an estimated 80 per cent of Hopi tribal funds, yet the main beneficiaries are also the main source of insistence that a court order reducing Peabody's mining licence to "temporary" status should be enforced, even to the extent that mining should be stopped.

> The indigenous people remain unified in their mistrust of the outside world

Meanwhile, the Navajo have elected to intervene in an appeal in support of Peabody, which, according to the court, had breached many mining regulations.

According to Joanne Bercu, editor of the official Hopi Tutuveni newspaper, the miners use up to 1.5bn gallons of water annually to pump coal slurry to far-off power stations. "If we use it up, people will not be able to live here," she says.

The alternative, which the Hopi suspect conceals an ulterior motive, is a pipeline to bring water from the Colorado River. It will have to come across Navajo land to reach the Hopi mesas and is likely to become a "bargaining chip", in the hands of the Navajo, says Ms Bercu.

But if old rivalries among the 21 Native American tribes and groups in Arizona divert energy from the more pressing issues of economic improvement the indigenous people remain unified in their mistrust of the outside world.

The minority Hopi in particular, whose culture, rituals, religion and renowned dry-land farming techniques have been subjected to repeated dissection by scholars, writers and other visitors feel they have too much to lose to compromise it further.

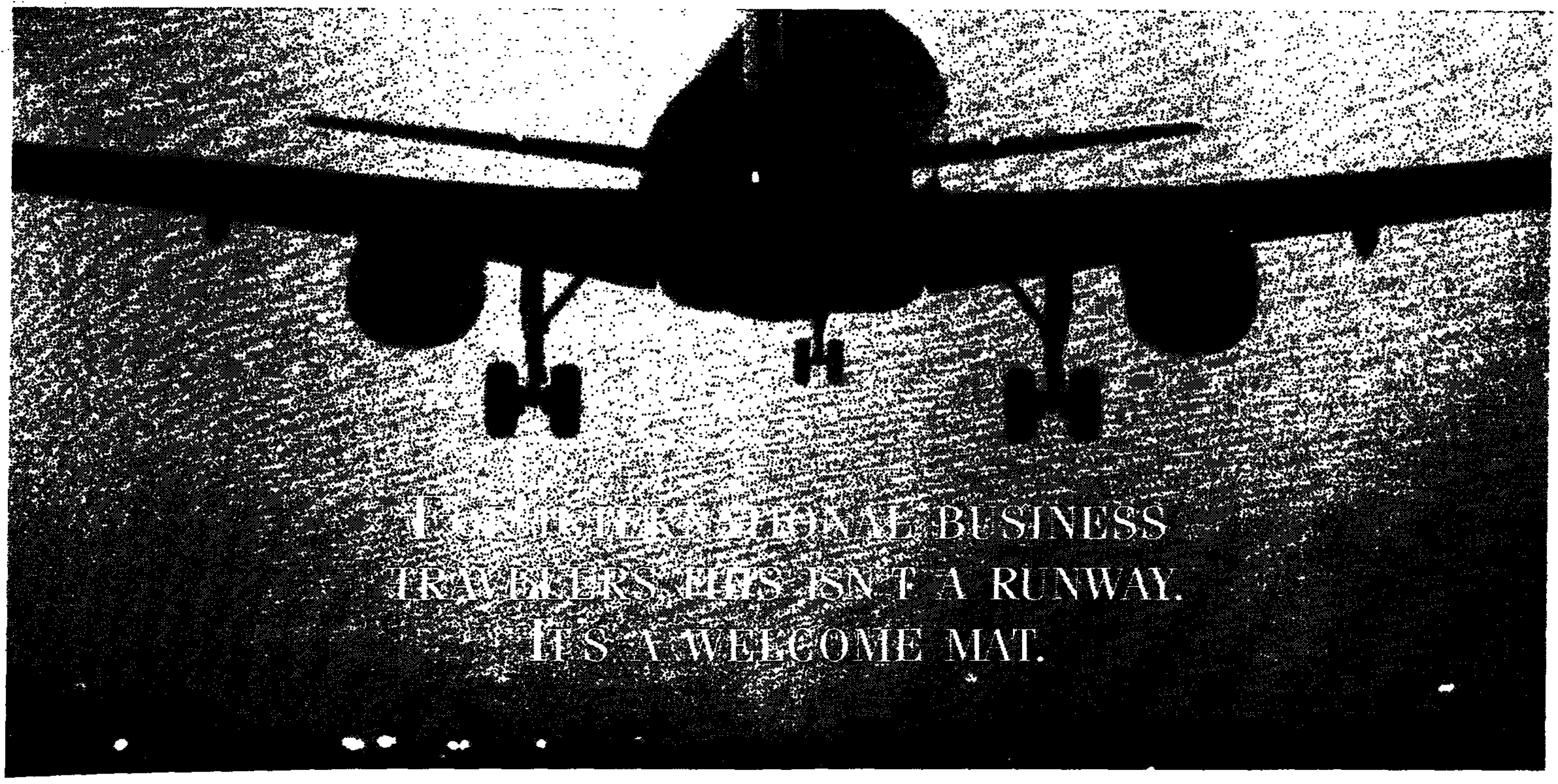
They rigorously ban photography, sketching and recording – and impose dress codes – at their Kachina dance ceremonies in the summer when the tourists swarm. Many other ceremonies are secret. Their land is sacred and is dotted with countless shrines and sanctuaries closed to outsiders.

Ms Bercu, who has lived and worked in the area for nine years, points out there are people still alive who remember atrocities against the Indians, and everyone on the reservation is aware of relatively recent federal efforts to impose English as the official language.

Now all alien influences are kept at arm's length. For Ms Bercu, a Caucasian, "fitting into the community has not been an option", she says of herself. She also recalls the rejection of approaches from an Israeli foundation which came prepared to establish a desert agriculture project using brackish water for irrigation.

"It would have opened the floodgates of agriculture department money," she says. "But the scheme would have been inappropriate, disrespectful of the land.

"Culture is a luxury for large communities. For small groups like the Hopi it is a necessity," she says.



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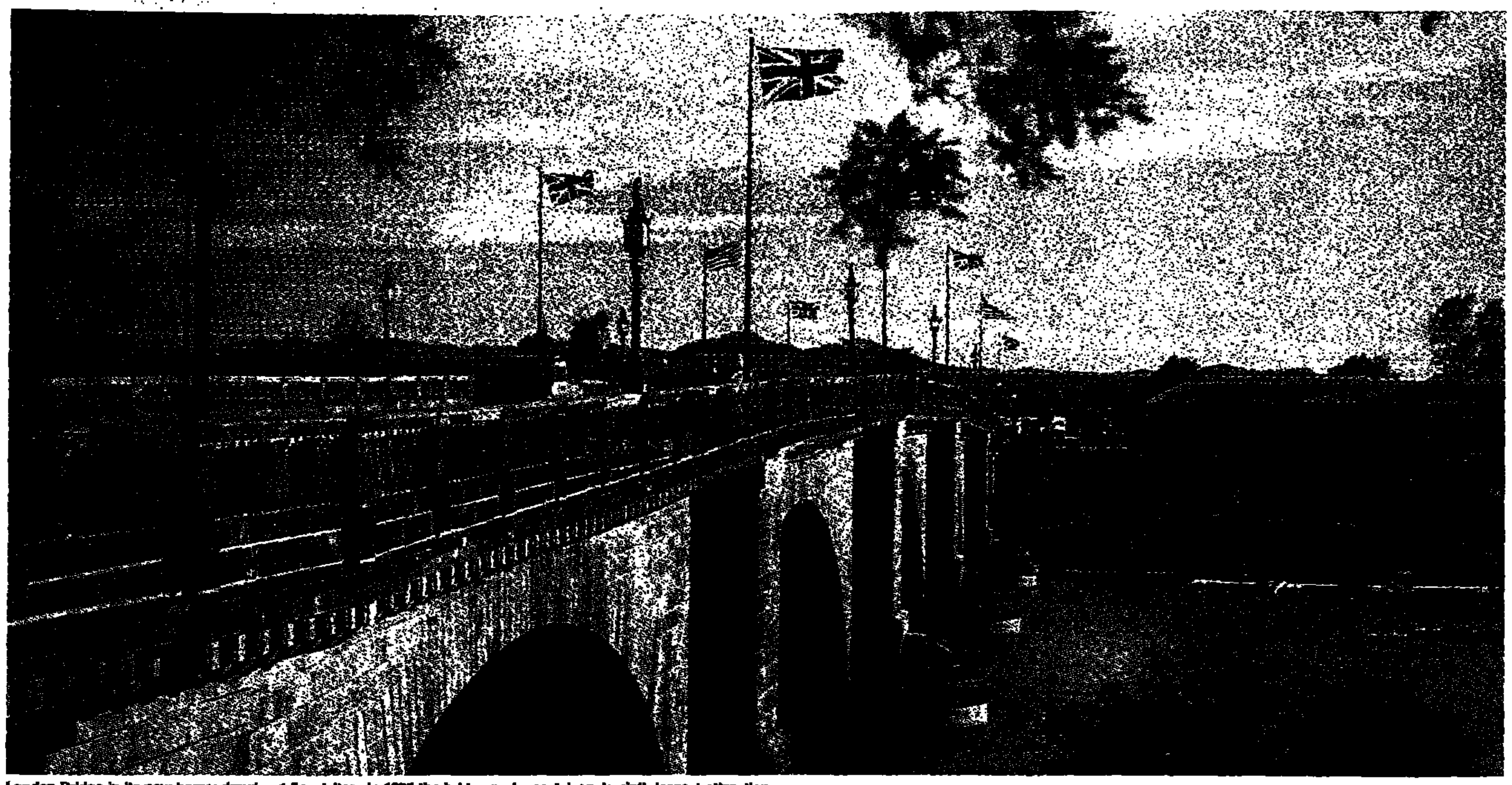


London Bridge in its new home: drawing 1.5m visitors in 1995 the bridge ranks as Arizona's ninth largest attraction

Michael Marden

■ Tourism

Feel the heat

Scorching temperatures are not deterring a growing number of visitors

"Sit out there in summer, watching them fountains and you'll pretty soon get to wondering how much of that water goes up in the air and how much of it comes down." – *Phoenician wisecrack.*

Summer in Arizona is off-season for US visitors. Locals hug their air conditioners and carry their dogs on daytime "walks" for fear of burnt pads.

But the evaporative, brain-shrinking qualities of August, when the arc furnace Phoenicians call The Valley of the Sun broils to 110 degrees and beyond, seem to hold few fears for the world's intrepid sun hunters.

Resorts which formerly snoozed through the solar blitz nowadays buzz with west Europeans and, increasingly, trippers from Japan, India, Indonesia, Singapore, Latin America and Europe's former communist bloc.

The miracle of air conditioning makes the place liveable. Price competition among the airlines and off-season hotel rates make it affordable.

The filmic vistas of Monument Valley and the Painted Desert, mysterious pre-Columbian architecture, the largest living repository of Native American culture, remnants of the old West, and the reliable if relentless sunshine compound the attractions of the Grand Canyon state.

The combination of foreign visitors and the high-season US regulars including the high-season "snow birds" fleeing the bitter winters of the north, east and mid-west, injected more than $10bn into the Arizonan economy in 1994 – a 15 per cent increase on the previous year. Occupancy rates in the Phoenix area's 200-plus hotels and resorts climbed to a record 71 per cent, and the average daily cost of a room rose more than 8 per cent.

Tourism is now Arizona's second biggest industry, after manufacturing. It employs more than 275,000 people or one in six of the workforce. Phoenix's Sky Harbor International Airport, which in 1994 logged 25.6m passenger arrivals and departures, estimates the figure will top 28m next year and exceed 40m in 2007.

At present, more than a quarter of all vistiors come from neighbouring California, a short flight or a long but easy drive on straight, sweeping highways. Some 12 per cent are foreigners, led by Germans with the British, French and Japanese following at a distance. Germany's Lufthansa and British Airways recently stepped up their existing connections to Phoenix.

For many US visitors, who stormed Phoenix in tens of thousands earlier this year for the Super Bowl football ritual, projects to install a major league baseball stadium and team, and – of all things – top-line ice hockey, will establish Arizona's place in the inter-state traffic in devoted sports fans.

According to Matt Crow, president of the Arizona Biltmore resort hotel in Phoenix, the role of tourism as a prime driver of economic growth is not fully realised. Apart from creating jobs and generating tax revenues in its own right, it draws new permanent residents, both individual and corporate.

After briefly sampling the quality of life – an asset which is particularly attractive to visitors from over-crowded, longer-established US cities – many elect to stay or bring their business with them.

Mr Crow, Texan-born and a recent refugee from investment banking in Manhattan, acknowledges boundless opportunities, but he singles out lifestyle and "the common courtesy of the people and their non-selfish attitudes" as the key main attractions.

He claims he is far from exceptional. He quotes the example of Steve Brain, sent by Fox, part of News Corporation, to set up a film animation studio on a greenfield site. The job was finished earlier this year, but Mr Brain is still in Phoenix.

"He liked it so much here, he refused to leave," says Mr Crow. He is now rounding up backers in a bid to equip the city with its first full-scale sound stage complex, and keep his place in the sun.

■ Hotels

Mutton with everything

Christopher Parkes' trip takes him from the grand old Biltmore to the Navajo Nation Inn

Even in mid-April this year, when day temperatures were 85 degrees Farenheit and more, the idle contemplation of fountains was in full swing at the lush Arizona Biltmore.

This grand resort, which claims status as one of Arizona's historic landmarks by virtue of its design origins in the architectural school of Frank Lloyd Wright, was built in 1929 as a modern-day desert oasis.

Although Phoenix's smartest neighbourhoods have since spread out and surrounded it, the hotel's ground-hugging profile, its five swimming pools, two golf courses, cool walkways and the backdrop of Squaw Peak and Camelback Mountain protect its air of isolation.

Sky Harbour International Airport is only 20 minutes away. The local five-star mall – sitting at the key city intersection of 24th Street and Camelback Road – is within easy walking range for the heat-resistant.

The Biltmore, which claims to be the first hotel in the world to win a five-star rating, is primarily a resort. It has an efficient business centre, voice-mail in all rooms, and offers deals for business conventions. But a quick lunch is best taken elsewhere.

The lounge is fine for groups, but there is little scope for solitary visitors to engage bar stool gossip with bar staff who seem to work in a constant, hyperactive lather.

There are no such problems at the alcohol-free Navajo Nation Inn, a bare-bones prefabricated motel in Window Rock, the depressing, dusty high-desert capital of the Navajo.

> For the truly desperate, there is a sand-blasted McDonald's across the way

It is as good as much else in Indian country's sparsely served hotel market, but warm welcomes are not on the menu.

Nor is haute cuisine. One supper speciality – grilled mutton ribs, mutton crackling rolls and mutton-and-potato stew, all unblessed by seasonings – is a cardiologist's nightmare. For the truly desperate, there is a sand-blasted McDonald's across the way which appears to have been dropped off by a passing tornado.

Local-range beef steak at the Hopi Cultural Centre Motel, a few miles east of the Hopi tribal centre at Kykotsmovi, offers an authentic taste of the old west, but demands stout teeth.

The accommodation is a notch up from Window Rock, but when the wind is up, swishing desert sand against the windows, the superstitious or indigestion-prone may find sleep evasive.

Hazards | Dust and diamondbacks

Once bitten . . .

Rattlesnakes rank high on many visitors' anxiety lists. But Arizona offers more serious hazards for the unwary.

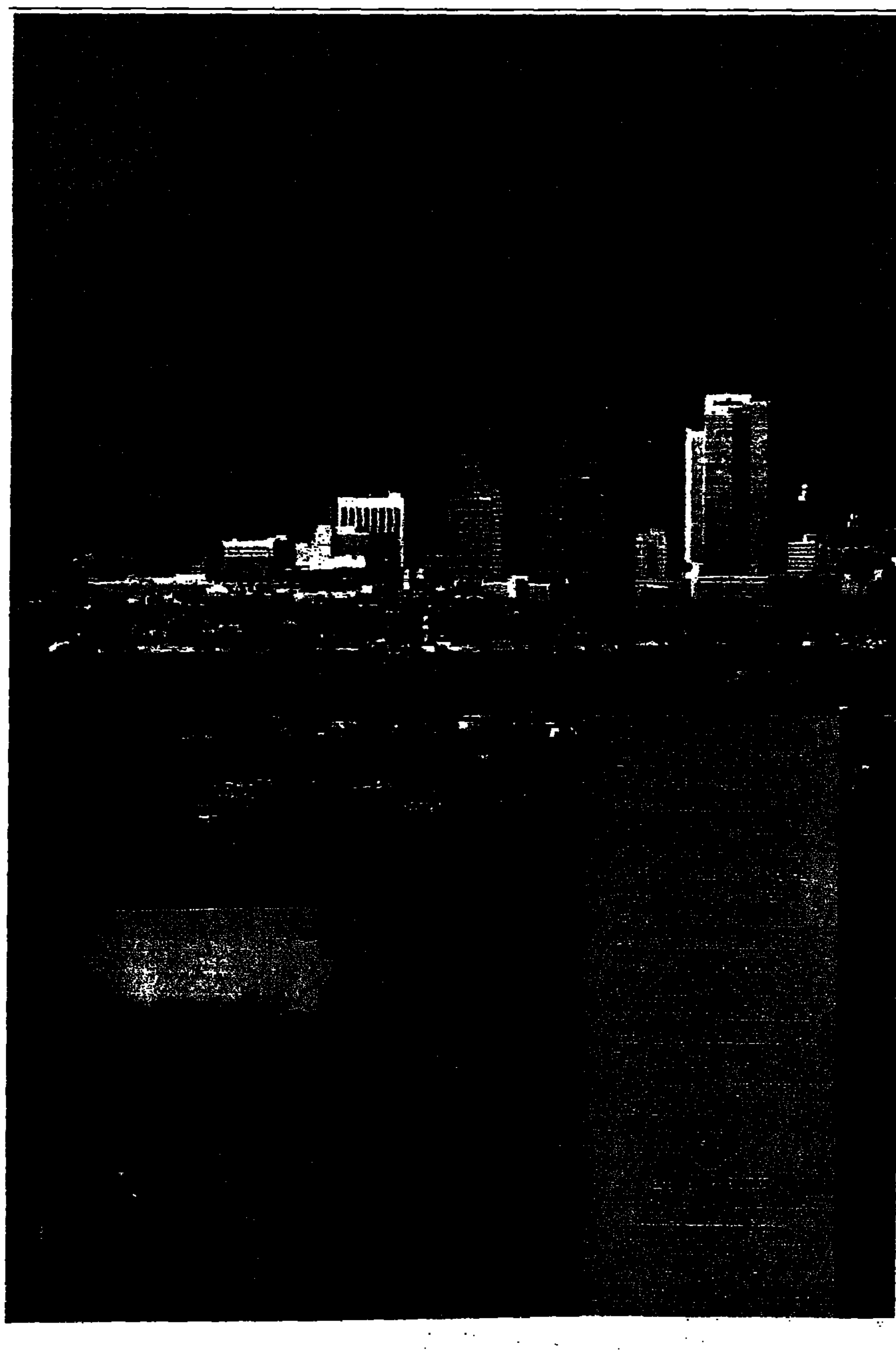
Since only 15 per cent of the state's 118,000 square miles is privately owned and development is sparse outside the main cities, travellers should carry ample water, petrol and other necessities.

The distances between attractions are far greater than most tourists are used to. Blinding dust storms are common in many areas. Bright sun is always a hazard to drivers and elk are roadside grazers in forests.

Native American beliefs – in the sanctity of the land, springs, seeps and rock formations – are essential elements of their lives and *not* curious relics. Trespassers on their lands are asking for trouble. Alcohol is forbidden.

Ignoring rules on dress or photography at Indian rituals will almost always lead to an unpleasant confrontation.

Rattlesnakes emerge from hibernation in March. They are common in the desert and not unknown in urban areas. They bite although they are usually shy. According to state medical records, up to 50 people are bitten annually. But only six deaths have been recorded in the past 10 years.



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at the

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هكذا من الاصل

BOSTON EUROPEAN BOND FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42216

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND I, SICAV is to be understood as a reference to the current BOSTON EUROPEAN BOND FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON EUROPEAN BOND FUND, SICAV, to be held prior to the merger, the transformation of the SICAV into an umbrell structure under the name of BOSTON INTERNATIONAL FUND I, SICAV

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EUROPEAN BOND FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 3.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON STRATEGIC INCOME FUND, SICAV in their respective Extraordinary Shareholders' Meeting:

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, and BOSTON STRATEGIC INCOME FUND, SICAV,
- the reports of the Board of Directors of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND and BOSTON STRATEGIC INCOME FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON EQUITY INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25254

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 9.30 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42217

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 2.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION, in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- *the Merger Proposal;*
- the three last annual financial reports with management reports of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the reports of the Board of Directors of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON BRAZIL INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 41963

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND II, SICAV is to be understood as a reference to the current BOSTON BRAZIL INVESTMENT FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON BRAZIL INVESTMENT FUND, SICAV, to be held prior to the merger, the change of its name into BOSTON INTERNATIONAL FUND II, SICAV

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 5.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each cancelled Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- *the Merger Proposal;*
- the three last annual financial reports with management reports of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV;
- the reports of the Board of Directors of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25257

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 4.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON MULTI-CURRENCY FUND, SICAV and BOSTON INTERNATIONAL FUND II, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT, in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each cancelled Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, BOSTON MULTI-CURRENCY FUND SICAV AND BOSTON BRAZIL INVESTMENT FUND, SICAV;
- the reports of the Board of Directors of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, BOSTON MULTI-CURRENCY FUND SICAV AND BOSTON BRAZIL INVESTMENT FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

INTERNATIONAL CAPITAL MARKETS

High-yield markets show strongest performance

By Samer Iskander in London and Lisa Bransten in New York

High-yielding European markets showed the strongest performances yesterday, when German bunds reversed early gains on nervousness over M3 money supply data.

Italian bonds again outperformed bunds. Liffe's June BTP future closed at 115.88, up 0.54. In the cash market, the 10-year yield spread tightened by 12 basis points to 313 points.

The rally was fuelled by the rapid formation of the new government and the inclusion of high profile politicians reinforcing its credibility.

Mr Bruno Rovelli, an economist at Bank of America in Milan, expects further outperformance of BTPs.

"The 300 basis point level is in sight", he said. "but [market participants] will look for more good news before pushing this spread lower." He believes the announcement of "a credible, tight budget for 1997" could provide support for BTPs and boost the Italian lira to below the L1,000 level against the D-Mark, which would be seen as an encouraging factor for the central bank to start cutting interest rates.

■ Spanish bonds gained ground but closed off their highs. Meff's future on 10-year bonos ended the session at 98.91, up 0.10. The contract suffered from profit-taking after reaching a high of 99.38.

Mr Mark Fox, head of fixed income research at Lehman Brothers, believes the "convergence trades" on Italian and Spanish bonds have been overdone. He expects the yield spreads of these markets to widen by up to 50 basis points "once traders have realised that [neither country] has any chance of joining Emu in round one".

Mr Fox said the correction should not be very pronounced, "because permanent progress has been made on economic fundamentals", referring to the reining in of public deficits and a promising inflation outlook.

■ German bunds ended the day barely changed, reversing early gains. Liffe's June bund future settled at 96.91, down 0.02, after reaching a high of 97.17. Market participants were nervous in anticipation of the release of M3 monetary data for April, and the effects of the uncertainty were amplified by the thinness of trading volumes.

GOVERNMENT BONDS

■ French bonds closely tracked bunds. Matif's June notional future settled at 123.40, up 0.08. The 10-year yield spread tightened by 1 basis point to 4 points, with the benchmark OAT closing unchanged at 105.67.

Mr Fox at Lehman believes the OAT spread over bunds will remain stable around these levels in the next few months, reflecting market participants' opinion that "the political will to proceed with Emu is there".

Analysts at Bear Stearns also expect the OAT spread over bunds to remain stable and trade in a tight range of zero to 10 basis points in the near future.

■ UK gilts ended a quiet session in line with other markets. Liffe's June long gilt future settled at 106$\frac{25}{32}$, up $\frac{1}{32}$. In the cash market, the 10-year yield spread over bunds stood at 169 basis points, near its recent lows.

Mr Kevin Adams, a gilt strategist at BZW, is surprised by gilts' resilience, "given the potential bad news from the political front". He attributes gilts' relative strength to sterling's robustness on the foreign exchange market and believes UK yields have benefited from convergence trades in other peripheral European bond markets.

However, Mr Adams points to forthcoming funding needs and the possibility of stronger than expected economic growth. He believes the market "is stretched to its limits" and warns of the risk of a correction, with 10-year yield spreads over Germany widening by between 10 and 20 basis points in coming weeks.

■ US Treasury prices were higher in quiet early trading as investors waited for today's Federal Reserve's Open Market Committee meeting.

Near midday, the benchmark 30-year Treasury was up $\frac{11}{32}$ at 89$\frac{21}{32}$ to yield 6.804 per cent and the two-year note up $\frac{1}{16}$ at 99$\frac{23}{32}$, yielding 5.976 per cent. The June 30-year Treasury bond future rose through 110 in morning trading but was unable to hold that level and settled back to 109$\frac{28}{32}$, up $\frac{5}{16}$.

There was little speculation about the outcome of today's FOMC meeting because Wall Street economists are nearly unanimous in the belief that the Fed will leave interest rates unchanged. However, they are divided about whether the Fed might loosen or tighten monetary policy later this year, so investors will be watching for indications of a bias toward easing or tightening in any statement issued at the conclusion of the meeting.

Weaker commodity prices and a stronger dollar lent some support to the bond market. The Knight Ridder-Commodity Research Bureau commodity index slipped 1.67 to 257.91 in early trading. The dollar was changing hands at DM1.5341 and Y107.07 against DM1.5335 and Y106.86 late on Friday.

Russia moves to strengthen rights of shareholders

By Richard Lapper

The Russian authorities are taking moves to enhance shareholder rights as they seek to strengthen the confidence of investors, a London conference was told yesterday.

Despite political uncertainty ahead of next month's presidential elections, the mood at the meeting on Russian financial markets organised by the London-based Royal Institute for International Affairs and Moscow's Centre for Foreign Investment and Privatisation, in association with the Financial Times and Financial Izvestia, was sanguine.

Foreign investors have welcomed in particular improvements to the country's settlement and registration infrastructure, as well the introduction in January and April this year of new company and securities laws.

Mr Dmitry Vasiliev, chairman of the Federal Commission on Securities and the Capital Market (FSC), said that as part of broader plans to strengthen shareholder rights, the laws would be introduced into Russia's civil and criminal code, providing for fines and even imprisonment for capital markets offences.

"This will punish the fraudsters," he said. "We lack the mechanisms to defend the rights of investors. The concept of the courts defending the rights of investors has not yet been implemented."

"Unfortunately the individual is not always guaranteed that the legal system will protect his rights," added Mr Mikhail Zadornov, chairman of the state budget committee.

Ms Marcia Levy, head of the Russia and NIS Group at Norton Rose, the city law firm, said foreign investors had "very little confidence" in the ability of the legal system to give "independent and even-handed decisions".

"Efforts need to be made to to ensure that judges and court officials are well trained and independent," she added.

The securities law prohibits companies that issue securities from quoting or trading their own shares, and clarifies and strengthens the role of the FSC. The FSC will license market participants and draw up rules for public offerings of securities, as well as specify what information must be disclosed to investors.

"A serious attempt is being made to put the legal and regulatory framework in place," said Ms Levy.

Under share registration rules introduced last year, uniform standards for registrars, including a system of licensing and minimum capital requirements were set, as well as provisions for separating broking and registrar functions.

Mr Dmitry Shatiloff, president of the National Registration Company, said 48 independent registrars have already been licensed.

"Share registry disciplines did not exist when privatisation began. Registers were simply manual ledgers in virtually all cases," he added.

"A year ago, we would have been talking about problems of registration. Investors are no longer worried about that," said Mr Bruce Bean of Coudert Brothers in Moscow.

Another priority is the development of collective investment or mutual funds to build up domestic capital flows. The confidence of small savers has been badly damaged by a series of financial scandals.

More than 20 regulations governing the new mutual funds have been issued since November. The FSC is also in the process of eliminating all unlicensed funds.

Abbey National zero-coupon lira deal meets strong demand

By Antonia Sharpe

Abbey National, the UK bank, yesterday boosted Italy's germinal zero-coupon bond market with the launch of its first such issue.

Demand for the L300bn five-year offering, which yields 9 per cent, was such that Abbey National could well increase the size of the deal by up to L100bn. Mr Alex Braun, head of funding at Abbey National, said yesterday that the positive reception to the offering reflected the strong following which the bank had built up among Italian investors.

Abbey National, which has a significant mortgage operation in Italy, has become the third-largest borrower in the euro-lira market after the World Bank and the EIB.

Its familiarity with domestic retail and institutional investors allowed it to achieve fine pricing of the equivalent of a spread of 5 basis points over the yield on five-year Italian government bonds. The proceeds of the offering, which will be used for general lira funding, are believed to have been swapped into floating-rate lire at some 10 to 12 basis points below euro-lira Libor.

INTERNATIONAL BONDS

Lead manager Credito Italiano said the strong demand for the bonds reflected growing appetite for zero-coupon bonds in Italy as well as the favourable conditions in the Italian government bond market.

Retail investors are attracted to zero-coupon bonds because tax on them is deferred until the end of their life, while institutional investors regard them as a more exact way than conventional bonds to match five-year single-premium policies.

The bonds were launched at 62.53 less full fees but by the afternoon were trading at 62.70. The interest in Abbey National's bonds has raised the possibility that the World Bank's recent L500bn 10-year zero-coupon bond will be re-opened.

Elsewhere, caution ahead of today's Federal Reserve's FOMC meeting kept dollar-denominated issuance to a minimum. However, syndicate managers said there was good investor demand for five-year dollar paper and indicated that several sovereign issuers were looking at this area.

Inter-American Development Bank raised \$200m through an offering of three-year eurobonds, its first issue to be directly aimed at Swiss investors. Swiss investors have been strong buyers of dollar bonds due December 1999 in recent weeks while issuers have favoured this maturity because of the swap opportunities.

Although the bonds were tightly priced, to yield flat to US Treasuries due May 1999 but about 8 basis points below the interpolated curve, the pricing was in line with other comparable bonds issued recently by various European banks, including UBS, Deutsche and OKB.

Lead manager SBC Warburg said that in any case Swiss retail investors tended to give more importance to the bond's coupon – in this case 6.25 per cent – rather than to the spread. By the late afternoon the spread on the bonds was unchanged.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bear Stearns Companies(a)‡	200	(a1)	99.78R	Jun 2001	0.25R	-	Bear Stearns Intl
Inter-American Dev Bank(s)	200	6.25	99.89R	Dec 1999	0.1875R	flat(5¾%-99)	SBC Warburg
D-MARKS							
Deutsche Ausgleichsbank	1bn	6.50	100.085	May 2006	0.325	-	ByVB/Cmrz/DG/Dresdnr/T&B
YEN							
BNG★	10bn	(b)	100.70	May 2026	0.70	-	Nikko Europe
Vattenfall Treasury★	10bn	(c)	100.20	May 2006	0.20	-	IBJ International
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	(d)	102.60	Jul 2002	1.875	-	Kredietbank Luxembourg
ITALIAN LIRE							
Abbey Natl Treasury Services	300bn	zero	64.41	Dec 2001	1.875	-	Credito Italiano
CANADIAN DOLLARS							
State Bank of New Sth Wales(s)	100	7.00	99.875R	Dec 2000	0.25R	+5(7½%-00)	Toronto-Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Dec 1997 at par. a1) 3-mth Libor +25bp. b) 6.5% in A\$ or 5.5% in US\$ or 6.1% in DM. c) 4.55% in A\$. d) 5% to 19/7/99 and 7% thereafter. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.3700	-0.350	8.73	8.82	9.00
Austria		6.125	02/06	97.8200	+0.020	6.43	6.46	6.53
Belgium		7.000	05/06	102.3900	+0.180	6.66	6.71	6.71
Canada **		8.750	12/05	0.0000	-	0.00	7.84	7.75
Denmark		8.000	03/06	104.3800	-0.060	7.35	7.45	7.50
France	BTAN	5.750	03/01	100.7500	-	5.55	5.60	5.67
	OAT	7.250	04/06	105.6700	-	6.46	6.48	6.55
Germany Bund		6.250	04/06	98.8000	-0.040	6.42	6.49	6.43
Ireland		8.000	08/06	102.8600	+0.080	7.58	7.68	7.96
Italy		9.500	02/06	100.9500	+0.610	9.34†	9.58	10.26
Japan	No 140	6.600	06/01	119.2391	+0.270	2.35	2.43	1.91
	No 182	3.000	09/05	97.7575	-0.140	3.32	3.38	3.20
Netherlands		6.000	01/06	97.8600	-0.100	6.30	6.37	6.40
Portugal		11.875	02/05	117.3400	+0.570	8.92	9.04	9.27
Spain		8.800	04/06	97.7300	+0.430	9.14	9.20	8.46
Sweden		6.000	02/05	85.9780	+0.390	8.32	8.47	8.46
UK Gilts		8.000	12/00	102-14	-	7.35	7.42	7.48
		7.500	12/06	98-20	-	7.98	8.06	8.10
		9.000	10/08	106-30	-	8.10	8.16	8.19
US Treasury *		6.875	05/06	101-26	+9/32	6.37	6.71	6.58
		6.000	02/26	89-21	+12/32	6.82	6.92	6.88
ECU (French Govt)		7.500	04/05	104.0100	+0.060	6.88	6.94	7.05

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.07	Two year	5.99
Prime rate	8¼	Two month	5.08	Three year	6.18
Broker loan rate	7	Three month	5.15	Five year	6.37
Fed.funds	5¼	Six month	5.33	10-year	6.61
Fed.funds at intervention	-	One year	5.53	30-year	6.81

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.44	123.40	+0.08	123.62	123.38	66,696	154,854
Sep	121.96	121.92	+0.06	122.06	121.90	1,407	13,930
Dec	120.70	120.66	+0.06	120.84	120.70	481	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
120	-	-	-	-	0.19	-
121	-	-	-	-	0.35	-
122	-	0.71	1.20	0.05	0.72	1.28
123	0.62	0.32	0.76	0.21	-	-
124	0.14	0.11	0.45	0.89	-	-

Est. vol. total, Calls 14,899 Puts 5,229. Previous day's open int., Calls 144,510 Puts 153,899.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.00	96.91	-0.02	97.17	96.83	130580	168137
Sep	96.18	96.01	-0.01	96.25	95.94	6033	25584

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9650	0.47	0.35	0.59	0.77	0.06	0.84	1.08	1.25
9700	0.13	0.19	0.41	0.57	0.22	1.18	1.40	1.58
9750	0.03	0.10	0.27	0.41	0.62	1.58	1.76	1.90

Est. vol. total, Calls 21382 Puts 18730. Previous day's open int., Calls 258747 Puts 199442

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.75	115.88	+0.54	116.19	115.58	44433	65974
Sep	115.20	115.23	+0.53	115.50	115.12	947	5993

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11550	0.56	1.74	0.18	2.01
11600	0.27	1.48	0.39	2.25
11650	0.10	1.26	0.72	2.53

Est. vol. total, Calls 5460 Puts 2092. Previous day's open int., Calls 80378 Puts 106234

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.15	98.91	+0.10	99.38	98.88	63,910	56,650
Sep	98.62	98.38	+0.91	98.62	98.57	402	476

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* 250,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-28	106-25	+0-01	107-10	106-22	50516	107963
Sep	106-00	105-26	+0-02	106-10	105-24	5578	6807

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
106	0-56	0-52	1-13	1-30	0-08	1-00	1-25	1-42
107	0-14	0-27	0-51	1-02	0-28	1-39	1-63	2-14
108	0-02	0-12	0-32	0-44	1-16	2-24	2-44	2-56

Est. vol. total, Calls 3819 Puts 1659. Previous day's open int., Calls 47106 Puts 47027

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	91.40	91.32	+0.06	91.52	91.32	1,278	6,623

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-21	109-29	+0-09	110-04	109-20	274,140	348,581
Sep	109-03	109-10	+0-09	109-18	109-03	5,927	49,907
Dec	108-27	108-25	+0-08	109-02	108-24	177	8,023

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.76			118.82	118.73	1346	0
Sep	117.66			117.69	117.62	464	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon May 20	Day's change %	Fri May 17	Accrued interest	xd adj. ytd		Low coupon yield May 20	May 17	Yr. ago	Medium coupon yield May 20	May 17	Yr. ago	High coupon yield May 20	May 17	Yr. ago
1 Up to 5 years (22)	121.53	0.06	121.46	2.24	3.78	5 yrs	7.43	7.45	7.89	7.47	7.48	7.96	7.57	7.59	8.08
2 5-15 years (19)	146.18	0.11	146.01	2.63	4.09	15 yrs	8.15	8.16	8.08	8.17	8.17	8.11	8.26	8.28	8.33
3 Over 15 years (9)	161.71	0.04	161.64	3.99	3.48	20 yrs	8.23	8.25	8.06	8.23	8.24	8.11	8.30	8.32	8.27
4 Irredeemables (6)	181.83	0.57	180.80	0.78	6.12	Irred.†	8.27	8.32	8.14						
5 All stocks (56)	141.63	0.08	141.51	2.74	3.92	-									

Index-linked	Mon May 20	Day's change %	Fri May 17	Accrued interest	xd adj. ytd		Inflation 5% May 20	May 17	Yr. ago	Inflation 10% May 20	May 17	Yr. ago
6 Up to 5 years (1)	196.32	0.05	196.21	0.59	4.43	Up to 5 yrs	2.79	2.81	3.81	1.29	1.31	2.51
7 Over 5 years (11)	186.15	0.05	186.06	1.13	1.81	Over 5 yrs	3.80	3.80	3.85	3.58	3.58	3.76
8 All stocks (12)	186.25	0.05	186.16	1.12	1.88							

Average gross-redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 20	May 17	May 16	May 15	May 14	Yr ago	High*	Low*
Govt. Secs. (UK)	92.74	92.53	92.29	92.27	92.48	93.49	96.34	91.59
Fixed Interest	112.32	111.69	111.58	111.85	111.92	112.69	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 17	May 16	May 15	May 14	May 13
Gilt Edged bargains	83.8	94.8	119.3	71.7	78.9
5-day average	89.7	93.3	96.9	93.6	98.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	97⅜	+¼	6.99
Sweden 8 97	2500	105⅜	106		3.76
United Kingdom 7¼ 97	5500	104¼	104⅜		3.65
Abbey Natl Treasury 8 03 £	1000	99⅜	99½	+⅛	8.12
British Land 8⅞ 23 £	150	89⅞	90¼		10.22

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar fails to hold gains ahead of FOMC meeting

By Philip Gawith

The dollar yesterday flattered to deceive as it failed to hold onto early gains ahead of the meeting today of the policy-making Federal Open Market Committee.

The break above Y107 during Asian trading was sustained in Europe, but the dollar finished the day weaker than it had started. It closed in London at Y107.115 from Y106.645 on Friday. Against the D-Mark it finished at DM1.5347 from DM1.5262.

Apart from the FOMC, where there is little expectation of change, markets are also on the lookout for the release of the latest German M3 data, which should provide guidance on the likely passage of interest rates. There is some apprehension that signs of an economic upturn in Germany would reverse the recent trend of D-Mark weakness.

The other main focus of trading concerned the Italian lira which rose to a 19 month high against the D-Mark on renewed speculation of an early entry into the European exchange rate mechanism. It finished at L1,011 against the D-Mark after reaching an intra-day high of L1,008.40.

The Swiss franc also slipped lower against the D-Mark, finishing at 82.2 centimes, from 82 centimes.

The Belgian central bank cut its advances rate to 3.2 per cent, from 3.3 per cent.

Sterling fell to DM2.3207 against the D-Mark, from DM2.3132. Against the dollar it finished at $1.5122, from $1.5157.

■ The catalyst for the dollar's rally against the yen was a sharp fall in the Japanese trade surplus (in recent years the large surplus has been a big factor behind yen strength) and further comments from Japanese officials suggesting monetary policy was on hold. The trade surplus fell, year on year, by 65 per cent to Y320bn.

One trader said there had been evidence of US hedge funds "repositioning for more dollar strength on the view that this is going to be the Japanese rate hike that never happened." Hedge funds with large long dollar positions had been heavy sellers when the dollar slipped to Y104, but they now appear to be rebuilding some of these positions.

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, has recently run the rule over the dollar. He concludes that official intervention by the Bank of Japan, with the intention of devaluing the yen, will by itself ensure a weaker yen "over the next few months".

Against the D-Mark and Canadian dollar, however, he believes the dollar will sag. "While we applaud the trend reversal in the US trade balance, it still has a way to go before it supports the dollar."

In terms of capital flows, Mr Weinberg believes short and long term flows roughly offset each other. He believes US treasuries offer unattractive returns in the months ahead, which is dollar-negative. Short-term interest rate differentials, by comparison, support the dollar. "Exclude sterling and the lira and the Australian dollar and the US dollar has become the high-yielding currency of the major markets," says Mr Weinberg.

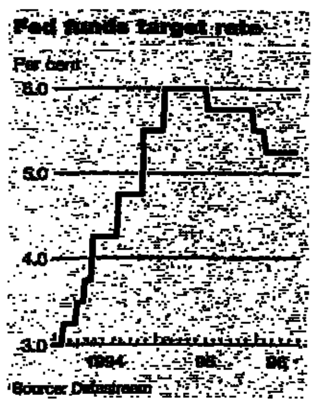
■ The rally in the lira is partly due to it being one of the few countries that has not experienced interest rate convergence. "It, together with Australia, is one of the few high-yielders left," said Mr Robin Marshall, chief economist at Chase in London. Italy has not cut its short term rates for a year, while the official cash rate in Australia has remained unchanged at 7½ per cent since December 1994.

The Australian dollar has rallied powerfully since January, moving from about 73 US cents to 79.45 yesterday. This was a retreat of over a cent from Friday's 5½ year high of 80.5 cents. Analysts said this retreat was prompted by the fall in world copper prices to a 21 month low. Australia is a big commodity producer and the currency's value is closely related to trends in commodity prices.

The rally this year, though, has also been in large part driven by the large interest rate differential between Australian rates and those available on dollar and yen deposits.

As for the lira's strong performance, Mr Marshall said: "This is a honeymoon for Mr Prodi, but there is also a presumption that the government is more serious about the budget consolidation and the whole process of European integration."

Fed funds target rate



Source: Datastream

■ Pound in New York

May 20	Latest	Prev. close
£ spot	1.5135	1.5135
1 mth	1.5126	1.5126
3 mth	1.5112	1.5112
1 yr	1.5063	1.5063

■ OTHER CURRENCIES

May 20	£	$
Czech Rp	41.7378 - 41.7722	27.6080 - 27.6180
Hungary	224.895 - 225.075	148.760 - 148.810
Iran	4548.00 - 4545.90	3000.00 - 3000.09
Kuwait	0.4536 - 0.4545	0.3000 - 0.3005
Poland	4.0327 - 4.0408	2.6676 - 2.6715
Russia	7560.51 - 7567.04	5001.00 - 5003.00
U.A.E.	5.5525 - 5.5556	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3290	+0.0519	214 - 365	16.3577	16.3145	16.2976	2.3	16.2228	2.6	-	-	104.8
Belgium	(BFr)	47.7008	+0.1526	671 - 345	47.7820	47.6580	47.5958	2.6	47.3858	2.6	46.3658	2.8	106.6
Denmark	(DKr)	8.9568	+0.0301	544 - 631	8.9718	8.9459	8.9434	2.1	8.9106	2.2	8.7673	2.1	107.3
Finland	(FM)	7.1234	-0.0062	163 - 304	7.1580	7.1150	7.119	0.7	7.1109	0.7	-	-	83.2
France	(FFr)	7.8524	+0.0168	499 - 549	7.8672	7.8416	7.8383	2.2	7.8104	2.1	7.6775	2.2	109.0
Germany	(DM)	2.3207	+0.0075	197 - 217	2.3255	2.3172	2.3157	2.6	2.3053	2.7	2.255	2.8	108.2
Greece	(Dr)	367.332	+0.628	171 - 492	368.149	366.933	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9691	-	682 - 699	0.9720	0.9680	0.9683	1.0	0.967	0.9	0.9602	0.9	96.6
Italy	(L)	2346.29	+2.72	518 - 740	2348.44	2340.19	2354.54	-4.2	2369.64	-4.0	2422.34	-3.2	76.4
Luxembourg	(LFr)	47.7008	+0.1526	671 - 345	47.7820	47.6580	47.5958	2.6	47.3858	2.6	46.4658	2.6	106.6
Netherlands	(Fl)	2.5929	+0.0085	918 - 939	2.6044	2.5917	2.5866	2.9	2.5739	2.9	2.5147	3.0	106.9
Norway	(NKr)	9.9578	+0.0292	504 - 648	9.9694	9.9419	9.9486	1.1	9.9295	1.1	9.8336	1.2	98.3
Portugal	(Es)	238.421	+0.358	290 - 552	238.859	238.146	238.846	-2.1	239.751	-2.2	-	-	94.7
Spain	(Pta)	193.412	+0.167	329 - 494	193.854	193.325	193.722	-1.9	194.217	-1.7	195.872	-1.3	81.3
Sweden	(SKr)	10.2010	-0.0075	912 - 107	10.2192	10.1821	10.2022	-0.1	10.2039	-0.1	10.2061	0.0	89.5
Switzerland	(SFr)	1.9095	+0.0134	083 - 107	1.9119	1.9067	1.9033	3.9	1.8905	4.0	1.8328	4.0	110.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.5
Ecu	-	1.2321	+0.0025	313 - 329	1.2350	1.2311	1.2306	1.3	1.2278	1.4	1.2145	1.4	-
SDR†	-	1.047300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5111	-0.0035	098 - 123	1.5128	1.5095	-	-	-	-	-	-	-
Brazil	(R$)	1.5047	-0.0043	042 - 052	1.5057	1.5032	-	-	-	-	-	-	-
Canada	(C$)	2.0772	+0.0006	763 - 780	2.0801	2.0695	2.0765	0.4	2.0728	0.8	2.0648	0.6	83.9
Mexico	(New Peso)	11.2119	-0.0032	055 - 182	11.2185	11.1890	-	-	-	-	-	-	-
USA	($)	1.5122	-0.0035	118 - 125	1.5133	1.5106	1.5113	0.7	1.5099	0.6	1.5053	0.5	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9034	+0.0103	024 - 044	1.9052	1.8878	1.906	-1.6	1.911	-1.6	1.9363	-1.7	93.9
Hong Kong	(HK$)	11.6977	-0.0266	942 - 012	11.7054	11.6863	11.6896	0.8	11.678	0.7	11.6582	0.3	-
India	(Rs)	52.6229	-0.1976	083 - 375	52.9380	52.3010	-	-	-	-	-	-	-
Israel	(Shk)	4.9591	+0.0491	542 - 640	4.9844	4.8948	-	-	-	-	-	-	-
Japan	(Y)	161.974	+0.337	884 - 064	162.520	161.340	161.249	5.4	159.759	5.5	153.344	5.3	137.1
Malaysia	(M$)	3.7639	-0.0087	621 - 654	3.7656	3.7586	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2155	+0.0062	138 - 171	2.2175	2.1967	2.2205	-2.7	2.23	-2.6	2.2638	-2.2	107.2
Philippines	(Peso)	39.5579	-0.0612	882 - 275	39.6280	39.4880	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6712	-0.013	697 - 726	5.6753	5.6655	-	-	-	-	-	-	-
Singapore	(S$)	2.1307	-0.0026	294 - 319	2.1333	2.1281	-	-	-	-	-	-	-
South Africa	(R)	6.5363	-0.0113	272 - 453	6.5455	6.5146	-	-	-	-	-	-	-
South Korea	(Won)	1180.91	-1.45	056 - 126	1181.86	1177.51	-	-	-	-	-	-	-
Taiwan	(T$)	41.3044	+0.0317	873 - 215	41.3255	41.2080	-	-	-	-	-	-	-
Thailand	(Bt)	38.2650	-0.0575	485 - 814	38.2900	38.2350	-	-	-	-	-	-	-

† Rates for May 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7985	+0.0592	960 - 010	10.8210	10.7900	10.779	2.2	10.737	2.3	10.5535	2.3	104.8
Belgium	(BFr)	31.5450	+0.1735	300 - 600	31.5920	31.5220	31.49	2.1	31.375	2.2	30.835	2.3	106.4
Denmark	(DKr)	5.9245	+0.0335	230 - 260	5.9338	5.9166	5.917	1.5	5.9	1.7	5.831	1.6	108.6
Finland	(FM)	4.7106	+0.0068	072 - 143	4.7385	4.7064	4.7043	1.7	4.6923	1.6	4.6468	1.4	82.3
France	(FFr)	5.1929	+0.0231	924 - 933	5.2024	5.1845	5.186	1.8	5.1717	1.6	5.1039	1.7	108.4
Germany	(DM)	1.5347	+0.0085	344 - 350	1.5380	1.5327	1.5322	2.0	1.5264	2.2	1.4982	2.4	107.6
Greece	(Dr)	242.920	+0.975	870 - 970	243.630	242.490	244.595	-8.3	247.945	-8.3	261.92	-7.8	66.7
Ireland	(I£)	1.5605	-0.0035	595 - 615	1.5615	1.5551	1.5611	-0.4	1.5619	-0.4	1.5534	0.5	-
Italy	(L)	1551.63	+5.38	125 - 200	1553.20	1548.05	1557.68	-4.7	1569.23	-4.5	1610.13	-3.8	75.9
Luxembourg	(LFr)	31.5450	+0.1735	300 - 600	31.5920	31.5220	31.492	2.0	31.3855	2.0	30.905	2.0	106.4
Netherlands	(Fl)	1.7147	+0.0096	144 - 150	1.7228	1.7140	1.7113	2.3	1.7042	2.4	1.6724	2.5	106.5
Norway	(NKr)	6.5851	+0.0345	818 - 883	6.5955	6.5778	6.5821	0.5	6.5766	0.5	6.5401	0.7	97.6
Portugal	(Es)	157.670	+0.6	620 - 720	158.100	157.570	157.985	-2.4	158.575	-2.3	160.72	-1.9	94.7
Spain	(Pta)	127.905	+0.405	880 - 930	128.190	127.870	128.155	-2.3	128.585	-2.1	130.125	-1.7	80.8
Sweden	(SKr)	6.7460	+0.0106	411 - 509	6.7633	6.7380	6.7571	-2.0	6.7745	-1.7	6.8165	-1.0	88.8
Switzerland	(SFr)	1.2628	+0.0118	623 - 633	1.2650	1.2603	1.2592	3.4	1.2518	3.5	1.2183	3.5	110.5
UK	(£)	1.5122	-0.0035	118 - 125	1.5133	1.5106	1.5113	0.7	1.5099	0.6	1.5053	0.5	83.9
Ecu	-	1.2273	-0.0054	268 - 278	1.2280	1.2238	1.2281	-0.7	1.2297	-0.8	1.2386	-0.9	-
SDR†	-	0.69230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	-	987 - 999	0.9999	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	0.9951	-0.0005	950 - 952	0.9954	0.9950	-	-	-	-	-	-	-
Canada	(C$)	1.3737	+0.0036	734 - 739	1.3750	1.3692	1.3735	0.1	1.3738	0.0	1.3768	-0.2	83.3
Mexico	(New Peso)	7.4145	+0.015	120 - 170	7.4170	7.4120	7.576	-26.1	7.761	-18.7	9.5245	-28.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2587	+0.0098	583 - 591	1.2595	1.2580	1.2607	-1.9	1.2642	-1.7	1.2829	-1.9	95.6
Hong Kong	(HK$)	7.7358	+0.0003	353 - 363	7.7365	7.7350	7.7365	-0.1	7.7383	-0.1	7.7653	-0.4	-
India	(Rs)	34.8000	-0.05	000 - 000	35.0100	34.8000	34.95	-5.2	35.255	-5.2	36.725	-5.5	-
Israel	(Shk)	3.2795	+0.0399	770 - 820	3.2972	3.2371	-	-	-	-	-	-	-
Japan	(Y)	107.115	+0.47	080 - 150	107.400	106.700	106.67	5.0	105.77	5.0	102.03	4.7	138.1
Malaysia	(M$)	2.4890	-	885 - 895	2.4897	2.4875	2.4899	-0.4	2.498	-1.1	2.5195	-1.2	-
New Zealand	(NZ$)	1.4650	+0.0075	643 - 658	1.4660	1.4640	1.4681	-2.5	1.4739	-2.4	1.4985	-2.3	-
Philippines	(Peso)	26.1600	+0.02	200 - 000	26.2100	26.1100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	503 - 505	3.7505	3.7503	3.7509	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4090	+0.0015	085 - 095	1.4100	1.4083	1.4055	3.0	1.3995	2.7	1.374	2.5	-
South Africa	(R)	4.3225	+0.0025	175 - 275	4.3320	4.3100	4.3512	-8.0	4.4028	-7.4	4.626	-7.0	-
South Korea	(Won)	780.950	+0.85	900 - 000	781.100	779.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.3150	+0.084	100 - 200	27.3200	27.2680	27.335	-0.9	27.375	-0.9	-	-	-
Thailand	(Bt)	25.3050	+0.0205	000 - 100	25.3110	25.2950	25.4037	-4.7	25.6075	-4.8	26.49	-4.7	-

† SDR rate per $ for May 17 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 17: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 20	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3 5/16	3¼	7.00	2.50	-
week ago	3 7/16	3¼	3⅜	3⅜	3 11/16	7.00	2.50	-
France	3 13/16	3 13/16	3⅞	3 15/16	4⅛	3.70	-	5.60
week ago	3 13/16	3 15/16	3 13/16	3 15/16	4¼	3.70	-	5.60
Germany	3⅜	3⅜	3¼	3⅜	3⅜	4.50	2.50	3.30
week ago	3⅜	3⅜	3¼	3⅜	3⅜	4.50	2.50	3.30
Ireland	5¼	5¼	5¼	5⅜	5⅝	-	-	6.25
week ago	5	5¼	5½	5½	5⅝	-	-	6.25
Italy	9⅛	8⅞	8⅝	8⅝	8⅜	-	9.00	9.25
week ago	10 5/16	8⅞	8 13/16	8⅝	8⅜	-	9.00	9.25
Netherlands	2 11/16	2¾	2¾	2 13/16	2 13/16	-	3.00	3.30
week ago	2 13/16	2¾	2 13/16	2 13/16	2 13/16	-	3.00	3.30
Switzerland	2¾	2¼	2⅛	2⅛	2⅛	5.00	1.50	-
week ago	2¼	2¼	1⅞	1 15/16	2¼	5.00	1.50	-
US	5¼	5 5/16	5⅜	5½	6¼	-	5.00	-
week ago	5 7/16	5 5/16	5½	5½	5 13/16	-	5.00	-
Japan	⅞	½	⅝	⅝	⅞	-	0.50	-
week ago	⅞	½	⅝	¾	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¼	5½	5 11/16	5⅞	-	-	-
week ago	-	5¼	5½	5 11/16	5⅞	-	-	-
US Dollar CDs	-	5.10	5.11	5.25	5.57	-	-	-
week ago	-	5.10	5.12	5.26	5.61	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4 11/16	-	-	-
week ago	-	4⅜	4⅜	4⅜	4 11/16	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3 13/16	3⅝	-	-	-
week ago	-	3⅜	3⅜	3 13/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3 7/16 - 3 5/16
Danish Krone	4⅝ - 4¼	3 31/32 - 3 27/32	3 15/16 - 3¾	3 29/32 - 3 25/32	3 29/32 - 3 13/16	4 1/16 - 3 15/16
D-Mark	3 7/16 - 3 5/16	3 11/32 - 3 5/16	3⅜ - 3¼	3 7/16 - 3 5/16	3¼ - 3⅛	3½ - 3¼
Dutch Guilder	2⅞ - 2⅝	2 23/32 - 2 19/32	2 11/16 - 2 19/32	2 23/32 - 2 19/32	2 11/16 - 2 19/32	2 29/32 - 2 13/16
French Franc	3 31/32 - 3 27/32	3 31/32 - 3¾	3 27/32 - 3¾	3 31/32 - 3 13/16	4 - 3 27/32	4⅛ - 4
Portuguese Esc.	7 13/16 - 7 11/16	7 7/16 - 7⅜	7 11/16 - 7 5/16	7 7/16 - 7 5/16	7 7/16 - 7 5/16	7¼ - 7 5/16
Spanish Peseta	7 23/32 - 7 19/32	7 11/16 - 7 19/32	7 21/32 - 7 17/32	7½ - 7⅜	7 13/16 - 7 5/16	7 13/16 - 7 5/16
Sterling	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 31/32	6 1/16 - 6	6 5/16 - 6 1/16	6⅜ - 6 5/16
Swiss Franc	3¼ - 3	2¾ - 2½	2⅜ - 2¼	2¼ - 2⅛	2¼ - 2⅛	2⅜ - 2¼
Can. Dollar	4 11/16 - 4½	4 11/16 - 4½	4¾ - 4⅝	3 15/16 - 4 13/16	4 15/16 - 4 13/16	5 7/16 - 5 5/16
US Dollar	5¼ - 5⅛	5 5/16 - 5 3/16	5⅜ - 5 5/16	5 7/16 - 5¼	5 5/16 - 5⅜	5⅞ - 5 13/16
Italian Lira	9 3/16 - 9⅛	9⅛ - 9	9 - 8⅞	8 13/16 - 8 5/16	8 13/16 - 8 5/16	8 5/16 - 8 3/16
Yen	9/16 - 7/16	17/32 - 13/32	½ - 13/32	17/32 - 13/32	21/32 - 17/32	31/32 - 27/32
Asian $Sing	2 - 1⅞	2 - 1⅞	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2⅜ - 2¼	2 11/16 - 2 9/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.99	95.99	+0.03	96.03	95.98	16,379	51,244
Sep	96.01	96.02	+0.03	96.06	96.00	11,252	53,260
Dec	95.91	95.92	+0.03	95.94	95.90	3,117	31,251

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.76	96.73	-0.02	96.76	96.72	16839	182332
Sep	96.81	96.77	-0.03	96.82	96.75	21545	239488
Dec	96.64	96.59	-0.03	96.65	96.59	18165	210913
Mar	96.36	96.31	-0.03	96.37	96.30	20370	152592

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.45	91.46	+0.04	91.50	91.42	9800	55093
Sep	92.03	92.07	+0.08	92.11	92.03	10721	38079
Dec	92.22	92.23	+0.08	92.27	92.22	4037	27029
Mar	92.24	92.21	+0.10	92.25	92.21	1111	10255

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.89	97.82	-0.08	97.89	97.78	7661	22148
Sep	97.83	97.78	-0.07	97.83	97.72	9381	24244
Dec	97.63	97.57	-0.07	97.63	97.51	1413	10922
Mar	97.33	97.31	-0.07	97.33	97.24	734	5495

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.34	99.35	+0.02	99.35	99.34	229	-
Sep	99.08	99.09	+0.02	99.09	99.08	506	-
Dec	98.78	98.79	+0.02	98.79	98.78	500	-

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.69	95.66	-0.01	95.70	95.66	1362	9780
Sep	95.76	95.74	-	95.78	95.74	756	4690
Dec	95.63	95.61	+0.01	95.66	95.62	227	3639
Mar	95.44	95.41	+0.02	95.45	95.41	235	2347

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.46	4.868	2.031	4918	5.436	20.88	499.8	405.5	21.38	4.002	2.096	4.354	3.170	339.6	2.583
Denmark	(DKr)	53.24	10	8.764	2.591	1.082	2619	2.894	11.12	266.1	215.9	11.39	2.131	1.116	2.318	1.688	180.8	1.375
France	(FFr)	60.75	11.41	10	2.956	1.234	2988	3.302	12.68	303.6	246.3	12.99	2.431	1.274	2.645	1.926	206.3	1.569
Germany	(DM)	20.55	3.860	3.383	1	0.417	1011	1.117	4.290	102.7	83.33	4.395	0.822	0.431	0.895	0.651	69.80	0.531
Ireland	(I£)	49.23	9.248	8.103	2.395	1	2421	2.676	10.28	246.0	199.6	10.53	1.970	1.032	2.143	1.560	167.2	1.271
Italy	(L)	2.033	0.382	0.335	0.099	0.041	100.	0.111	0.424	10.16	8.244	0.435	0.081	0.043	0.089	0.064	6.905	0.053
Netherlands	(Fl)	18.40	3.455	3.028	0.895	0.374	904.7	1	3.840	91.94	74.59	3.934	0.736	0.386	0.801	0.583	62.48	0.475
Norway	(NKr)	47.90	8.997	7.885	2.331	0.973	2356	2.604	10	239.4	194.2	10.24	1.917	1.004	2.086	1.518	162.7	1.237
Portugal	(Es)	20.01	3.758	3.294	0.974	0.406	984.1	1.088	4.177	100.	81.12	4.279	0.801	0.419	0.871	0.634	67.95	0.517
Spain	(Pta)	24.66	4.632	4.060	1.200	0.501	1213	1.341	5.149	123.3	100.	5.274	0.987	0.517	1.074	0.782	83.76	0.637
Sweden	(SKr)	46.76	8.783	7.698	2.275	0.950	2300	2.542	9.763	233.7	189.6	10	1.872	0.980	2.036	1.482	158.8	1.208
Switzerland	(SFr)	24.99	4.693	4.113	1.216	0.508	1229	1.358	5.216	124.9	101.3	5.343	1	0.524	1.088	0.792	84.86	0.645
UK	(£)	47.70	8.959	7.852	2.321	0.969	2346	2.593	9.958	238.4	193.4	10.20	1.909	1	2.077	1.512	162.0	1.232
Canada	(C$)	22.97	4.313	3.780	1.117	0.467	1130	1.248	4.794	114.8	93.12	4.911	0.919	0.481	1	0.728	78.00	0.593
US	($)	31.55	5.925	5.193	1.535	0.641	1552	1.715	6.586	157.7	127.9	6.746	1.263	0.661	1.374	1	107.1	0.815
Japan	(Y)	29.44	5.530	4.847	1.433	0.598	1448	1.601	6.147	147.2	119.4	6.296	1.178	0.617	1.282	0.933	100.	0.760
Ecu		38.72	7.272	6.373	1.884	0.787	1904	2.105	8.083	193.5	157.0	8.279	1.550	0.812	1.686	1.227	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6532	0.6530	-0.0002	0.6533	0.6515	31,970	76,978
Sep	0.6555	0.6565	-0.0003	0.6565	0.6552	281	4,340
Dec	-	0.6599	-0.0009	-	0.6599	79	1,194

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7948	0.7942	-0.0011	0.7950	0.7924	19,553	42,375
Sep	0.8020	0.8007	-0.0013	0.8020	0.7995	168	2,522
Dec	-	0.8070	-0.0019	-	0.8070	19	755

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9410	0.9375	-0.0026	0.9410	0.9343	17,930	67,179
Sep	0.9470	0.9488	-0.0029	0.9488	0.9460	418	3,228
Dec	0.9596	0.9596	-0.0037	0.9596	0.9596	332	1,794

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5108	1.5118	-0.0010	1.5128	1.5102	6,416	45,843
Sep	1.5110	1.5110	+0.0002	1.5110	1.5084	11	517
Dec	-	1.5090	-0.0002	-	1.5080	1	38

UK INTEREST RATES

LONDON MONEY RATES

May 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5⅞	6 1/16 - 5⅞	6 1/16 - 5 15/16	6⅛ - 6	6 3/16 - 6 1/16	6 7/16 - 6 5/16
Sterling CDs	-	-	5 31/32 - 5 29/32	6 - 5 15/16	6 1/16 - 6	6 5/16 - 6¼
Treasury Bills	-	-	5 29/32 - 5⅞	5 27/32 - 5 25/32	-	-
Bank Bills	-	-	5 29/32 - 5⅞	5⅞ - 5 27/32	5⅞ - 5 27/32	-
Local authority deps.	6 1/16 - 5 13/16	6 - 5⅞	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 3/32 - 5 31/32	6 5/16 - 6 3/16
Discount Market deps	5⅞ - 5⅝	5 31/32 - 5 13/16	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on May 17, 5.8155pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.078pc. Finance House Base Rate 6.5pc from May 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.92	93.91	-0.01	93.93	93.91	10071	73530
Sep	93.83	93.83	-0.01	93.86	93.81	7841	58880
Dec	93.63	93.61	-0.01	93.66	93.59	11144	68194
Mar	93.29	93.29	+0.02	93.34	93.27	7551	48508
Jun	92.90	92.91	+0.03	92.96	92.90	5489	37910

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.17	0.19	0.20	0.01	0.11	0.34
9400	0.02	0.06	0.11	0.11	0.23	0.50
9425	0	0.02	0.05	0.34	0.44	0.69

Est. vol. total, Calls 6475 Puts 735. Previous day's open int., Calls 147375 Puts 123501

BASE LENDING RATES

	%
Adam & Company	6.00
Allied Trust Bank	6.00
AIB Bank	6.00
●Henry Ansbacher	6.00
Bank of Baroda	6.00
Banco Bilbao Vizcaya	6.00
Bank of Cyprus	6.00
Bank of Ireland	6.00
Bank of India	6.00
Bank of Scotland	6.00
Barclays Bank	6.00
Brit Bk of Mid East	6.00
●Brown Shipley & Co Ltd	6.00
Citibank NA	6.00
Clydesdale Bank	6.00
The Co-operative Bank	6.00
Coutts & Co	6.00
Credit Lyonnais	6.00
Cyprus Popular Bank	6.00
Duncan Lawrie	6.00
Exeter Bank Limited	7.00
Financial & Gen Bank	7.00
●Robert Fleming & Co	6.00
Girobank	6.00
●Guinness Mahon	6.00
Habib Bank AG Zurich	6.00
●Hambros Bank	6.00
Heritable & Gen Inv Bk	6.00
●Hill Samuel	6.00
C. Hoare & Co	6.00
Hongkong & Shanghai	6.00
Julian Hodge Bank	6.00
●Leopold Joseph & Sons	6.00
Lloyds Bank	6.00
Meghraj Bank Ltd	6.00
Midland Bank	6.00
* Mount Credit Corp	6.25
NatWestminster	6.00
●Rea Brothers	6.00
Royal Bk of Scotland	6.00
●Singer & Friedlander	6.00
●Smith & Williamson Secs	6.00
TSB	6.00
United Bank of Kuwait	6.00
Unity Trust Bank Plc	6.00
Western Trust	6.00
Whiteaway Laidlaw	6.00
Yorkshire Bank	6.00

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

May 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.439	-0.228	-1.88	3.26	13
Netherlands	2.15214	2.13781	+0.00159	-0.67	2.00	5
Belgium	39.3960	39.3120	+0.0328	-0.21	1.53	2
Germany	1.91007	1.91247	+0.00173	0.13	1.19	-1
Austria	13.4383	13.4565	+0.0115	0.14	1.18	-1
Portugal	195.792	196.501	+0.024	0.36	0.95	-2
Ireland	0.792214	0.797986	-0.001215	0.73	0.59	-5
France	6.40608	6.47305	-0.00174	1.05	0.27	-9
Denmark	7.28580	7.38186	+0.00816	1.32	0.00	-9
NON ERM MEMBERS						
Greece	292.867	302.707	-0.332	3.36	-1.98	-
Italy	2106.15	1932.50	-4.19	-8.24	10.42	-
UK	0.786652	0.823371	-0.001234	4.67	-3.20	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.490	2.37	2.55	2.95	0.06	0.38	0.86
1.500	1.56	1.89	2.36	0.28	0.69	1.22
1.510	0.91	1.30	1.80	0.62	1.07	1.65
1.520	0.45	0.84	1.34	1.17	1.62	2.19
1.530	0.18	0.50	0.97	1.89	2.28	2.76

Previous day's vol., Calls 4,325 Puts 5,332 . Prev. day's open int., Calls 163,439 Puts 177,775

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.52	+0.01	94.53	94.51	25,301	368,635
Sep	94.32	94.35	+0.04	94.36	94.32	30,284	358,801
Dec	94.06	94.07	+0.04	94.09	94.05	68,387	363,777

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.38	94.98	-	94.99	94.38	379	9,333
Sep	94.82	94.83	+0.05	94.83	94.81	85	5,292
Dec	-	94.62	+0.03	94.62	-	7	1,196

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9650	0.24	0.29	0.30	0.32	0.01	0.02	0.03	0.05
9675	0.03	0.09	0.11	0.14	0.05	0.07	0.09	0.12
9700	0	0.02	0.03	0.04	0.27	0.25	0.26	0.27

Est. vol. total, Calls 2923 Puts 3808. Previous day's open int., Calls 357973 Puts 379115

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9800	0.01	0.10	0.12	0.19	0.32	0.55
9825	0	0.03	0.06	0.43	0.50	0.74

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5865 Puts 3047

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.26	0.89	1.05	0.05	0.06	0.07
9150	0.11	0.57	0.86	0.15	0.10	0.15
9175	0.04	0.47	0.70	0.33	0.15	0.22

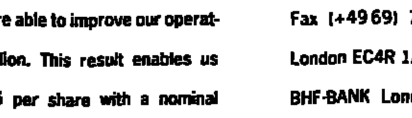
Est. vol. total, Calls 295 Puts 300. Previous day's open int., Calls 39499 Puts 25001

Our 1995 Financial Statement: Market Success with a Sharp Profile.

▶ Against a background of considerable altered market conditions, BHF-BANK was able to maintain its position well in 1995. With our concept of focusing on the bank's traditional strengths and with new impetus for improving our performance, we have accepted the challenges of competition and further sharpened our profile as a European advisory and trading bank.

▶ The business volume increased by 11.6 % to DM 73.5 billion and total assets by 11.7 % to DM 64.9 billion, taking into account that our partner banks Charterhouse plc and Zivnostenska Banka a.s. have been consolidated for the first time in proportion to the equity quotas held by our bank. Furthermore, we were able to improve our operating result by 8.3 % to DM 377 million. This result enables us to pay a cash dividend of DM 1.45 per share with a nominal value of DM 5.–. With the Group's capital resources totalling around DM 4 billion – which corresponds to a 10.9 % equity quota in accordance with BIS rules – the bank has a very sound basis.

▶ In order to strengthen our global portfolio management we will combine our activities in this field in a new subsidiary, BHF Asset Management.



▶ The process of reorganizing the bank, initiated in 1994, showed significant success in the past financial year and will also determine our future results to a great extent. The consistent orientation towards customers and towards quality will remain the guideline for our activity and the basis of our success.

▶ We will be pleased to send you our annual report upon request. Head office: D-60302 Frankfurt am Main, Tel. (+ 49 69) 718-0, Fax (+49 69) 718-4210. London Branch: 61 Queen Street, London EC4R 1AE, Tel. (01 71) 634 2300, Fax (01 71) 220 71 40. BHF-BANK London Branch is regulated by the SFA. Further branches in Hong Kong, New York, Singapore and Tokyo.

BHF-BANK
Die deutsche Merchant Bank

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	[illegible]	[illegible]	470½	5,020	6.1	18.3
Bulmer (HP)	[illegible]	[illegible]	−2	[illegible]	430	[illegible]	2.8	18.8
Burn St Dist	[illegible]	115	—	148	101	[illegible]	5.4	24.8
Glenmorangie A	[illegible]	[illegible]	—	[illegible]	500	[illegible]	2.2	17.8
Grand Met	[illegible]	446½	[illegible]	487	374	9,387	4.3	18.7
Guinness	[illegible]	[illegible]	−3	[illegible]	435	[illegible]	3.6	15.8
Highland	[illegible]	[illegible]	—	406	315	[illegible]	2.7	17.4
Kirin Y	[illegible]	[illegible]	+3	879¼	621	[illegible]	0.7	32.3
Macallan-Glen	[illegible]	170	—	217	150	[illegible]	1.1	34.9
For MacDonald Martin see Glenmorangie								
Matthew Clark	[illegible]	[illegible]	+2	782	580	[illegible]	3.5	–
Merrydown	[illegible]	131	—	140	69	14.3	1.9	–
Seagram $	[illegible]	[illegible]	[illegible]	[illegible]	£17⅝	6,416	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf	[illegible]	[illegible]	—	50½	50½	[illegible]	19.8	–
Cater Allen	[illegible]	[illegible]	−1	525	403	137.4	9.3	6.7
Close Bros	[illegible]	[illegible]	−1	[illegible]	271½	[illegible]	3.1	18.3
Gerrard & Nat	[illegible]	373	−12	472	373	182.4	7.5	12.0
Hambros	[illegible]	235	—	282	180	[illegible]	4.0	–
7¼pc Cv Pf		111	—	117	94½	143.0	8.4	–
King & Shaxson	[illegible]	172	—	173	110	45.4	6.5	13.4
Leopold J	[illegible]	[illegible]	—	[illegible]	353	24.9	5.2	15.6
Rea Brothers	[illegible]	[illegible]	—	67	44	28.0	2.2	27.5
Schroders	[illegible]	1300	+17	1478	1089	[illegible]	1.5	18.1
NV	[illegible]	1028	+3	1180	890	[illegible]	1.9	14.4
Singer & Fried	[illegible]	112	[illegible]	116	[illegible]	221.2	4.5	9.3

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

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PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	–	£34½	£29½	2,038	2.7	φ
Barlow	‡	£8½	–½	£10⅞	£6½	1,314	2.0	φ
Gold Flds Prop R		140xd	—	170	130	143	6.6	10.2
MK Props		75	—	98	75	3.01	13.0	–
SASOL	♥	614	—	710	475	3,565	1.9	–
SA Brews		£18½	—	£26½	£17¼	5,485	2.1	φ
Standard Bank	□	£34½	+¼	£32½	£20¾	2,910	1.7	19.4
Tiger Oats	†	900	—	1278	875	1,364	1.9	17.2
Tongaat-Hulett		875xd	+5	1247	585	828.3	2.3	φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credit Investment Funds - Contd.

Morgan Stanley Sicav

Allied Dunbar International Assce Ltd (z)

Professional Investment Consultants

CB Asset Management

Global Asset Management - Contd.

MD Sass Re/Enterprise International Ltd

Regent Kingpin Capital Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Shares disappoint in spite of new issue activity

By Steve Thompson, UK Stock Market Editor

The sparkling debut by Railtrack, which accelerated to produce a 16 per cent premium to the public offer price, could not obscure an otherwise dismal start to the week by London's equity market.

London simply could not respond to last Friday's excellent performance by Wall Street, which closed only two Dow points off its previous record high.

Dealers put forward a number of reasons for the market's lacklustre performance, including an exceptionally weak showing by oil stocks after news of the resumption of Iraqi oil sales, the absence of any of the much rumoured takeover bids, and a revival of last week's rumours that a big rights issue could be on the cards.

Other bearish stories said to have affected sentiment were that the market is becoming increasingly *uneasy over the prospect of a* Labour government after the next general election.

At the close of a session predictably dominated by trading in Railtrack, the FT-SE 100 index had declined 11.4 points to 3,778.2.

The FT-SE Mid 250 index, on the other hand, was never really troubled by the progressive malaise that affected the market's leaders, and settled 8.9 points higher at 4,522.3.

British Biotech was the main driving force behind the splendid showing of the second liners' index. Its shares spiralled upwards ahead of a progress report, expected today, on its crucial anti-cancer drug, Marimastat.

Such is the enthusiasm of some drugs analysts that they foresee British Biotech entering the FT-SE *100 index if the drug is commercially viable.*

Dealers said the big institutions *had decided to stand back and wait* for news from the US Federal Reserve Open Market Committee meeting which gets under way today. "No-one really expects any shift in US interest rates, but there is always the chance of a shock decision," said one trader.

All eyes were focused on Railtrack at the outset of trading. The stock began its equity market life at 225p, the very top of the forecast range, and edged up in hectic trading to reach 229p, before encountering heavy selling by market "stags" and sliding back to end the day at 218.5p.

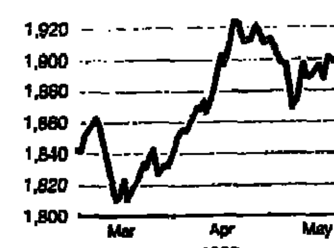
Marketmakers said they expected small investors to continue to take *profits in the stock in the short* term, but at the same time expected the big institutions to continue to *add to their holdings.*

At the opening, the Footsie rose almost 10 points, basking in the reflected glory of Railtrack, but quickly began to lose momentum.

Down six points ahead of Wall Street's opening, the Footsie initially stabilised but then fell away again, posting a 13.8 fall at the day's worst, before edging off the bottom. The Dow Jones Industrial Average became increasingly volatile, moving above 5,700 shortly after the opening, then slipping back into negative ground and regaining the 5,700 level well after London closed.

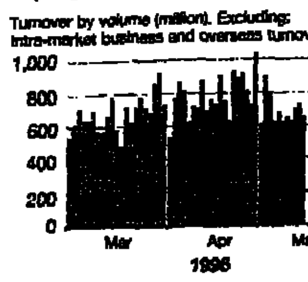
Turnover in equities, completely overshadowed by trading in Railtrack, reached 758m shares by 6pm. *Railtrack accounted for 161m* shares, or 21 per cent of the total.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3778.2	-11.4
FT-SE Mid 250	4522.3	+8.9
FT-SE-A 350	1913.4	-3.6
FT-SE-A All-Share	1898.47	-3.30
FT-SE-A All-Share yield	3.76	3.73
FT Ordinary index	2811.0	-5.5
FT-SE-A Non Fins p/e	17.09	17.26
FT-SE 100 Fut Jun	3780.0	-19.0
10 yr Gilt yield	7.97	7.97
Long gilt/equity yld ratio:	2.12	2.23

Best performing sectors

1 Tobacco ....+1.5
2 Telecommunications ....+1.1
3 Gas Distribution ....+1.1
4 *Banks: Merchant* ....+0.5
5 Electronic & Elec ....+0.5

Worst performing sectors

1 Oil Exploration ....-1.7
2 Extractive Inds ....-1.4
3 Banks: Retail ....-1.0
4 *Electricity* ....-1.0
5 Mineral Extraction ....-0.8

Railtrack surges on debut

Railtrack made a cracking debut, surging to a 16 per cent premium in partly paid form and racking up some of the heaviest first day turnover ever seen in London.

UBS said the business was nearly all on the upside, with 161m *shares changing hands,* almost a third of the company's capital.

There was said to be strong demand from the income funds for the 6 per cent yield, and speculative support ahead of Railtrack's possible inclusion in the FT-SE 100 index.

Fully paid, the stock has a market value of more than £2bn. As a result it moved rapidly through the list of Footsie contenders yesterday. Demand from the index tracking funds was described as heavy.

The stock closed at 220½p partly paid, a full 30½p ahead of the flotation price for retail *investors. The day's trading* range was 219p to 229p.

BoS stake debate

Bank of Scotland avoided *the profit-taking and rights* issue rumours overhanging the sector as the market took a *view on the final home for* the 32.2 per cent stake being sold by Standard Life.

The shares, which climbed more than 13 per cent after the life assurance group *announced the disposal last* week, eased by just a penny to 270p ahead of a discussion of the situation at a key board *meeting today.*

Analysts believe BoS executives are no longer confident that Standard Life will dispose of the shares to investment institutions. It is thought that pressure to get the best possible value for policyholders will force Standard to sell to one buyer – either a friendly rival or a hostile bidder.

And although Mr Michael Forsyth, the Scottish secretary, has issued a veiled warning to potential predators of the bank, there are some suggestions that a tie-up with Royal Bank of Scotland could be *acceptable in spite of implicit* monopoly considerations.

Royal Bank fell 10½ to 536p xd amid talk that BZW has cut *its 1996 profits forecast for the* bank by £11m to £709m and its 1997 expectation from £760m to £743m. BZW's reductions were said to have come in the wake of the trip by analysts to *RBoS's 76* per cent-owned Citizens Bank in New England.

BT optimism

Telecoms stocks moved *ahead against the market on* the back of a more positive turn for regulatory sentiment.

Price cap recommendations from Oftel, the industry watchdog, are due shortly and a number of brokers are now hinting that the sector's worst fears have been overplayed.

Some houses have begun to suggest that far from talking ultra tough, Oftel could in fact *significantly narrow the industry's price cap.* Some estimates now run as low as RPI minus 2 to 6 per cent.

Having touched a new 52-week low last week, BT bounced 5¼ to 345½p. Cable *and Wireless added 1½ at 462p.*

BSkyB, which is discussing plans for a digital television joint venture with BT, climbed 9 to 449p.

Some internationally traded stocks performed against the trend in response to the recent strong rally on Wall Street.

BAT Industries rallied 7 to 509p with additional impetus from a sharp rise in the share price of tobacco rival Philip Morris late on Friday. Hanson gained 4 at 194½p.

However, leading oil issues dipped on news that Iraq has agreed to UN terms and will shortly be exporting oil in return for humanitarian aid. BP lost 5 to 569¼p and Shell Transport 3 to 926½p.

In the stores sector, Allders fell 12½ to 313½p, with the market disappointed over the price it obtained for the sale of its tax and duty free business and the fact that the proceeds will be reinvested in the *business.*

Positive press comment over new distribution deals was said to be responsible for Menzies rising 6 to 593p, while adverse comment over the potential solutions to the problems at Do It All pushed W.H. Smith down 6 to 484p.

Retailers continued to benefit from Next's agm statement last week, which offered some reassurance to the market over clothes sales. Marks and Spencer, which reports its finals today, was up 4 to 432½p on trade of 4.1m.

Expectations of good news over its cancer treatment today saw British Biotech break through the £30 barrier. Although some marketmakers believe the shares could as easily fall to £15 apiece as rise to £50, they closed up 185 yesterday at 3030p.

East Midland Electricity, one of the remaining independent regional electricity companies, *put on 12 at 607p.* However, the volume was slight and the consensus was that the shares rose in response to a squeeze rather than on genuine takeover fever.

Food processing engineer APV plummeted following a warning of sharply lower first-half profits. The shares fell 17 per cent or 15½p to 74p in 1.5m traded.

Airports group BAA came off 10 to 524p as worries about a possible strategic change of direction took hold.

Brokers *said there was* concern about the acquisition of the Allders duty free shops, which takes BAA into direct retailing and grafts a more cyclical element on to its business base.

Up 29 per cent, British Airways' results were in line with the City consensus, but investors were disappointed by the absence of news on US airline alliances. BA eased 3 to 555p.

In contrast, P&O firmed 5 to 530p after big fund manager *Mercury Asset Management* disclosed the build-up of a 5 per cent stake in the group.

Themed bar, restaurant and disco group Luminar made a spectacular debut on its first day of trading yesterday.

About 34 per cent of the group's shares were placed *with a range of institutions* last week at 200p. Strong demand yesterday saw them *rise sharply* and dealers said that at the day's best the stock was trading at 270p.

However, profit-taking at the high levels brought a retreat in the afternoon and the shares *ended their first full session at* 255p after turnover of 3.4m.

Tour operator Airtours was boosted by *talk of* improving prospects for package holidays. The shares gained 8 to 518p.

Nervous trading in Land Securities ahead of Wednesday's full-year figures left the *shares trailing by 8 at 651p.*

In the brewing, pubs and restaurants sector, Bass slipped 5 to 767p after press reports suggesting that its acquisition of Carlsberg-Tetley was more difficult to arrange than originally envisaged. Press reports concerning its franchisees were also responsible for PizzaExpress jumping 13 to 365p.

Results from Tom Cobleigh were in line with forecasts, but it was marked down 2 to 215p because of some disquiet over the pub roll-out programme.

Footwear group Chamberlain Phipps tumbled a further 12 to 30p following Friday's profits warning.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	May 20	May 17	May 16	May 15	May 14	Yr ago	*High	*Low
Ordinary Share	2811.0	2816.5	2792.6	2812.6	2801.7	2490.5	2885.2	2696.7
Ord. div. yield	3.94	3.93	3.96	3.95	3.96	4.26	4.06	3.78
P/E ratio net	16.60	16.62	16.49	16.56	16.48	16.01	17.28	15.96
P/E ratio nil	16.37	16.39	16.26	16.33	16.25	15.70	17.03	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2817.3	2818.1	2817.7	2814.5	n/a	n/a	n/a	n/a	n/a	2819.7	2811.0

	May 20	May 17	May 16	May 15	May 14	Yr ago
SEAQ bargains	42,502	34,567	31,971	33,480	32,985	21,791
Equity turnover (£m)†	-	2363.7	1903.4	1860.1	1725.3	1029.9
Equity bargains†	-	*41,162*	*38,418*	*40,032*	*37,890*	*33,637*
Shares traded (m)†	-	770.5	639.4	718.8	703.9	463.2

†Excluding intra-market business and overseas turnover.

	May 20	May 17	May 16	May 15	May 14	Yr ago	*High	*Low
FT-SE AIM	1086.50	1084.50	1075.60	1072.10	1073.50	-	1084.50	965.66

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	781	Total Highs	184	Total contracts	50,660
Total Falls	502	Total Lows	22	Calls	27,844
Same	1,467			Puts	22,816

May 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3808.0	3780.0	-19.0	3812.0	3776.0	9137	58147
Sep	3817.0	3799.5	-19.0	3817.0	3787.0	280	7180
Dec		*3819.0*	*-19.0*			0	486

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4530.0	+10.0			0	4141

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	21.2	138	115	†Active Imaging	[illegible]					
-	F.P.	18.6	95	93	AIM Distrn	[illegible]					
-	F.P.	44.2	101	101	AIM Trust	[illegible]					
-	F.P.	136.9	745	574	Atlantis Japan	[illegible]					
-	F.P.	-	175	125	Biocompatible Unit	[illegible]					
105	F.P.	12.8	124	115	†CA Coutts	[illegible]					
-	F.P.	13.2	1050	850	Cairngorm Units	[illegible]					
-	F.P.	7.84	39	39	†FNR	[illegible]					
-	F.P.	23.5	97½	94	Gartmore Select	[illegible]					
-	F.P.	-	65	60	†Hercules Prop	[illegible]					
-	F.P.	-	101	50	INVESCO E & I C	[illegible]					
-	F.P.	5.98	5	3¾	†Just Group	[illegible]					
150	F.P.	52.5	160	155	†La Senza	[illegible]					
-	F.P.	38.3	270	253	Luminar	[illegible]					
-	F.P.	49.2	250	223	MSB Int'l	[illegible]					
-	F.P.	108.1	276	220	Maiden Group	[illegible]					
278	F.P.	489.8	338	278	Mill & Copthorne	[illegible]					
-	F.P.	5.37	143	136	Premiere Group	140		L8.0	2.4	5.4	9.7
190	P.P.	2,102	229	205	Railtrack	220½		W20.6	2.6	6.1	7.8
-	F.P.	43.4	67	43	†Reflec	63	-3	-	-	-	-
-	F.P.	-	101	98	Singer & Fdr AIM	101		-	-	-	-
-	F.P.	8.60	4½	3½	†Sira Bus Serv	4½	+¼	-	-	-	-
-	F.P.	6.55	95	75	†Stentor	83	+2	-	-	-	-
-	F.P.	18.0	11	7¾	†Thomas Potts	10		-	-	-	-
-	F.P.	2.99	56	43	†Tom Hoskins	53		-	-	-	-
-	F.P.	39.8	185	180	†Tradepoint Fincl	185		-	-	-	-
450	F.P.	151.5	633	598	Vanguard Medica	613	+8	-	-	-	-
45	F.P.	13.4	57	52	†Waterfall	52		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	May 17	% chg on day	May 16	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2257.40	-0.1	2259.53	1845.92	1.32	-	2620.73	1722.93
■ Regional Indices								
Africa (13)	3197.52	+1.0	3164.33	2469.51	2.28	44.32	3553.86	2272.74
Australasia (6)	2604.34	-0.9	2628.82	2258.71	2.55	28.85	2927.34	2098.51
North America (12)	2063.30	-0.5	2093.05	1609.10	0.67	73.24	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	May 20	Day's chge%	May 17	May 16	May 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3778.2	-0.3	3789.6	3753.6	3776.2	3284.5	3.98	2.13	14.70	75.87	1541.02
FT-SE Mid 250	4522.3	+0.2	4513.4	4493.8	4508.8	3604.6	3.32	1.75	21.48	80.59	1811.51
FT-SE Mid 250 ex Inv Trusts	4561.4	+0.2	4552.9	4532.1	4546.4	3609.9	3.42	1.80	20.25	85.65	1830.22
FT-SE-A 350	1913.4	-0.2	1917.0	1901.0	1911.3	1632.1	3.83	2.06	15.83	37.46	1695.23
FT-SE-A 350 Higher Yield	*1838.9*	*-0.2*	*1841.9*	*1824.6*	*1831.2*	*1647.4*	*5.09*	*1.91*	*12.87*	*45.32*	*1281.48*
FT-SE-A 350 Lower Yield	1995.2	-0.2	1999.6	1984.6	1998.7	1616.5	2.68	2.33	20.02	29.89	1378.95
FT-SE SmallCap	2240.04	......	2239.64	2237.35	2236.43	1848.68	2.90	1.78	24.26	25.63	1833.10
FT-SE SmallCap ex Inv Trusts	2237.36	......	2237.66	2235.40	2233.52	1827.91	3.06	1.87	21.87	26.85	1841.98
FT-SE-A *ALL-SHARE*	*1898.47*	*-0.2*	*1901.77*	*1886.99*	*1896.33*	*1614.90*	3.76	2.04	16.27	35.92	1607.30

■ FT-SE Actuaries All-Share

	May 20	Day's chge%	May 17	May 16	May 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3516.80	-0.8	3545.23	3519.73	3575.48	2863.97	3.81	1.83	17.91	78.92	1515.10
12 Extractive Industries(6)	4581.13	-1.4	4647.88	4627.59	4669.16	3813.55	3.53	2.50	14.18	109.19	1348.08
15 Oil, Integrated(3)	3538.55	-0.6	3557.17	3526.94	3590.27	2859.72	4.05	1.72	17.91	81.84	1562.78
16 Oil Exploration & Prod(15)	2465.99	-1.7	2508.03	2507.15	2530.32	2069.39	2.12	1.60	36.73	32.05	1483.50
20 GEN INDUSTRIALS(275)	2125.97	-0.1	2127.13	2123.33	2141.65	1954.57	3.99	1.91	16.46	35.20	1160.86
21 Building & Construction(34)	1223.85	......	1224.14	1222.10	1224.14	1001.63	3.37	1.79	20.71	19.09	1025.19
22 Building Matls & Merchs(29)	1956.41	-0.2	1962.40	1957.85	1972.45	1848.77	3.87	1.75	18.49	36.36	990.57
23 Chemicals(25)	2556.09	......	2556.40	2550.68	2551.71	2384.69	3.87	1.94	16.66	48.01	1213.06
24 Diversified Industrials(19)	1739.16	......	1739.08	1748.38	1786.05	1873.65	5.93	1.72	12.23	44.82	975.09
25 Electronic & Elect Equip(37)	2451.15	-0.5	2438.87	2429.42	2445.31	2031.65	2.99	1.67	24.98	14.16	1265.03
26 Engineering(71)	*2463.20*	*-0.2*	*2467.79*	*2461.81*	*2475.66*	*1937.84*	*3.11*	*2.49*	*15.14*	*28.93*	*1492.28*
27 Engineering, Vehicles(13)	3049.72	-0.2	3055.54	3025.45	3039.91	2300.68	3.49	1.89	18.97	49.11	1581.44
28 Paper, Pckg & Printing(28)	2780.32	-0.4	2790.89	2761.49	2785.95	2962.96	3.66	2.03	16.80	41.62	1157.93
29 Textiles & Apparel(19)	1395.32	-0.5	1402.55	1402.92	1407.53	1657.83	5.08	1.54	16.08	32.62	855.50
30 CONSUMER GOODS(90)	3558.52	......	3555.51	3531.81	3494.78	3040.41	3.95	1.85	17.09	78.45	1319.88
32 Alcoholic Beverages(9)	2862.60	-0.5	2876.67	2868.57	2893.08	2691.99	4.37	1.62	17.67	71.72	1039.04
33 Food Producers(23)	2456.48	-0.3	2464.77	2469.78	2476.77	2423.29	4.22	1.84	16.14	57.54	1114.64
34 Household Goods(15)	2676.29	......	2676.24	2680.42	2686.72	2584.39	3.71	2.41	13.98	53.70	1025.93
36 Health Care(20)	2100.99	+0.5	2091.39	2086.75	2089.27	1751.59	2.54	1.87	26.36	27.65	1279.01
37 Pharmaceuticals(12)	5078.53	......	5078.43	5029.91	4894.25	3762.60	3.35	1.88	19.87	91.18	1728.32
38 Tobacco(1)	4311.68	+1.5	4248.15	4163.44	4133.79	4139.41	5.89	2.00	10.62	156.18	1083.06
40 SERVICES(253)	2525.83	......	2526.16	2513.12	2529.77	2007.68	2.80	2.03	22.00	37.30	1314.61
41 Distributors(32)	2935.40	+0.4	2922.80	2914.57	2926.07	2536.04	2.87	1.77	24.63	36.69	1082.80
42 Leisure & Hotels(23)	3190.81	-0.1	3194.83	3182.86	3213.63	2309.32	2.76	1.96	23.18	141.77	1718.35
43 Media(46)	4269.26	+0.2	4260.58	4239.31	4270.54	2955.11	2.09	1.95	30.78	47.92	1546.73
44 Retailers, Food(15)	*1990.68*	*-0.6*	*2002.70*	*1999.86*	*2015.07*	*1920.72*	*3.61*	*2.33*	*14.09*	*38.81*	*1270.15*
45 Retailers, General(43)	2051.38	+0.2	2046.45	2034.44	2051.04	1868.34	2.95	2.19	19.34	22.12	1169.42
47 Breweries, Pubs & Rest.(24)	3112.07	-0.5	3126.22	3116.36	3138.61	2316.33	3.23	2.09	18.53	31.74	1491.58
48 Support Services(49)	2402.21	+0.4	2393.33	2377.75	2382.09	1591.64	1.91	2.48	26.67	24.03	1528.04
49 Transport(21)	2450.38	-0.6	2464.64	2436.23	2440.30	2261.12	3.60	1.38	25.20	28.66	1018.42
60 UTILITIES(33)	2387.58	+0.3	2380.19	2346.30	2383.72	2344.59	5.41	2.03	11.35	46.63	1012.67
62 Electricity(12)	2749.79	-1.0	2778.37	2733.58	2763.76	2223.08	5.65	2.37	9.31	137.11	1323.55
64 Gas Distribution(2)	1213.86	+1.1	1201.18	1181.98	1271.58	1967.60	9.87	1.38	9.33	64.68	835.65
66 Telecommunications(7)	2030.04	+1.1	2007.80	1973.55	1992.33	2049.41	4.26	1.82	16.09	0.15	916.92
68 Water(12)	2061.92	-0.1	2064.01	2062.15	2082.61	1674.79	5.92	2.59	8.17	3.61	1118.16
69 NON-FINANCIALS(665)	2015.90	-0.1	2017.30	2005.01	2016.79	1737.13	3.78	1.94	17.09	36.81	1530.86
70 FINANCIALS(105)	2954.00	-0.7	2976.13	2926.30	2928.58	2361.51	4.04	2.62	11.81	71.77	1278.87
71 Banks, Retail(8)	4020.92	-1.0	4063.55	3971.51	3981.06	3169.65	3.87	2.89	11.18	110.04	1324.16
72 Banks, Merchant(6)	3572.01	+0.5	3553.93	3505.28	3536.24	3292.77	2.76	2.38	19.04	36.35	1131.55
73 Insurance(23)	1562.13	-0.6	1570.82	1538.77	1522.86	1306.49	5.05	3.11	7.95	47.23	1183.68
74 Life Assurance(6)	3551.91	-0.8	3579.64	3579.71	3612.94	2638.88	4.21	2.24	13.24	100.72	1488.98
77 Other Financial(21)	2750.49	+0.4	2739.13	2713.56	2680.74	2031.99	3.75	1.72	19.38	29.60	1560.18
79 Property(41)	1568.18	-0.3	1572.26	1571.14	1577.43	1394.61	4.03	1.32	23.54	13.94	960.00
80 INVESTMENT TRUSTS(126)	3252.70	+0.2	3245.46	3237.83	3250.75	2768.06	2.13	1.06	55.25	25.73	1134.88
89 FT-SE-A ALL-SHARE(896)	1898.47	-0.2	1901.77	1886.99	1896.33	1614.90	3.76	2.04	16.27	35.92	1607.30
FT-SE-A Fledgling	1261.95	+0.2	1259.89	1257.73	1254.74	1000.82	2.71	2.19	21.03	13.04	1318.23
FT-SE-A Fledgling ex Inv Trusts	1272.16	+0.2	1270.08	1267.79	1264.10	995.18	2.92	2.37	18.07	14.18	1329.14

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3795.2	3795.7	3793.4	3786.3	3781.1	3783.0	3785.7	3779.8	3777.1	3799.3	3775.6
FT-SE Mid 250	4517.1	4517.6	4519.0	4518.7	4516.7	4519.8	4521.5	4521.4	4522.2	4522.5	4516.9
FT-SE-A 350	1919.5	1919.8	1919.0	1916.2	1914.2	1915.0	1916.2	1913.9	1912.9	1921.2	1912.4

Time of FT-SE 100 Day's high: 8:38 AM Day's low: 3:54 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3654.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	*1202.8*	*1204.1*	*1203.1*	*1203.8*	*1201.8*	*1201.8*	*1203.0*	*1202.5*	*1203.7*	*1203.7*	*1201.9*	*+1.8*
Pharmaceuticls	5023.2	5032.4	5023.3	4987.7	4982.3	4994.1	4999.5	4997.1	4984.0	5002.1	5004.4	-2.3
Water	2053.3	2052.7	2054.3	2054.3	2054.4	2054.4	2053.6	2053.6	2052.5	2052.5	2054.6	-2.1
Banks, Retail	4137.0	4130.4	4121.5	4107.1	4090.0	4090.8	4080.4	4075.1	4077.8	4072.2	4115.4	-43.2

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable
Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25256

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 10.30 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, *BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL* APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, *SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV* and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting:

(I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- *BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON* INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of *BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME* for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - *PACIFIC GROWTH INVESTMENT* in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC *GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT* for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - *ARGENTINE INVESTMENT* in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE *INVESTMENT FUND, SICAV in the proportion of 1 new Class B share* of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;
- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal;
- the three last annual financial reports with management reports of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON EQUITY *INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC* GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;
- the *reports* of the Board of Directors of BOSTON INTERNATIONAL EQUITY FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;
- the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 20 / Sch)

BELGIUM/LUXEMBOURG (May 20 / Frs.)

CZECH REP (May 20 / Koruna)

DENMARK (May 20 / Kr)

FINLAND (May 20 / Mks)

FRANCE (May 20 / Frs.)

GERMANY (May 20 / Dm.)

GREECE (May 20 / Drachma)

ITALY (May 20 / Lire)

NETHERLANDS (May 20 / Fls.)

NORWAY (May 20 / Kroner)

POLAND (May 20 / Zloty)

PORTUGAL (May 20 / Escudo)

SPAIN (May 20 / Pts.)

SWEDEN (May 20 / Kronor)

		+/-	High	Low	Yld	P/E
AGA A	104xd	+1.50	111	89	2.6	—
AGA B	104xd	+2.50	110.50	88.50	2.8	—
Asea A	703	−3	720	646	2.3	—
Asea B	701	+2	715	633	2.3	—

SWITZERLAND (May 20 / Frs.)

TURKEY (May 20 / Tk Lira)

Rockwell components for heavy and medium duty trucks and trailers keep businesses on the road to exceptional performance

Rockwell

PACIFIC

JAPAN (May 20 / Yen)

AUSTRALIA (May 20 / Aust$)

HONG KONG (May 20 / H.K.$)

INDONESIA (May 20 / Rupiah)

MALAYSIA (May 17 / MYR)

NEW ZEALAND (May 20 / NZ $)

SINGAPORE (May 20 / S$)

SOUTH KOREA (May 20 / Won)

		+/−	High	Low	Yld	P/E
HyEngC	38,400	−300	41,500	34,700	0.1	...
KorEIP	30,700	+300	33,500	28,000	1.6	...
KFstBk	7,250	−150	8,300	6,250	...	...
KMTele	745,000	−14,000	785,000	[illegible]	0.2	...
LG Ele	23,200	−300	27,800	19,900	1.3	...
PohgSt	57,300	+800	64,500	48,700	1.7	...
SamEle	86,000	−1,100	[illegible]	82,600	1.2	...
SamgHi	15,300	...	19,283	14,415	3.3	...
Yukong	25,100	−200	29,800	22,600	2.3	...

TAIWAN (May 20 / TW $)

		+/−	High	Low	Yld	P/E
CL Ins	165	−9	183	112	0.9	—
CH Bnk	147.50	−5.50	163	93	0.7	—
ChiDev	85.50	−3.50	97.50	73	—	—
ChiStl	24.90	−.60	27.80	19	5.8	—
FrstBk	145	−7	165	94	0.7	—
NYPstc	42	−.80	48.50	38	2.7	—
SHK Li	108.50	−9	124	57	1.4	—
TaiSed	58.50	−3	67	58	—	—

THAILAND (May 20 / Baht)

		+/−	High	Low	Yld	P/E
Advinf	424	−26	510	202	1.2	—
BgkBnk	384	−6	380	310	1.5	—
BgkLnd	33	...	45	31.75	1.5	—
DhSiam	183	−3	199	146	...	—
FinOne	147	−1	177	138	2.0	—
KThBk	127	−4	147	108	2.4	—
LndHou	378	+2	512	372	1.3	—
PhThan	220	+2	388	210	1.7	—
SiamCm	1,262	+6	1,624	1,204	1.8	—
SiamCI	384	...	424	332	2.3	—
SiamCB	408	+10	430	340	2.2	—
TeleAs	54	−2.50	83	52	—	—
ThaiFm	310	−2	324	256	1.7	—

NORTH AMERICA

CANADA

TORONTO (May 17 / Can $)

Closed May 20

MONTREAL (May 17 / Can $)

Closed May 20

AFRICA

SOUTH AFRICA (May 20 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	May 20	May 17	May 16	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	18884.56	18612.46	18191.58	31/1	15828.81	19/3
Australia							
All Ordinaries(1/1/80)	2251.2	2251.6	2245.5	2326.00	26/4	2167.40	11/3
All Mining(1/1/80)	1073.0	1079.7	1077.5	1118.40	8/5	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	387.36	380.65	(c)	387.36	20/5	352.78	2/1
Traded Index(2/1/91)	1122.86	1109.88	(c)	1131.21	26/4	976.27	2/1
Belgium							
BEL20(1/1/91)	1741.02	1725.44	(c)	1765.71	7/3	1674.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	55604.0	54756.0	54281.08	14/5	43901.00	2/1
Canada							
Metals Minls♦(1975)	(u)	5468.61	5480.76	5624.80	8/5	4687.47	16/1
Composite♦(1975)	(u)	5220.50	5208.30	5208.80	14/5	4739.70	15/1
Portfolio§§(4/1/83)	(u)	2545.40	2533.87	2545.09	14/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5544.02	5557.11	5804.39	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	402.97	400.27	(c)	402.97	20/5	388.40	2/1
Finland							
HEX General(28/12/90)	2025.34	1997.95	(c)	2025.34	20/5	1651.67	10/1
France							
SBF 250(31/12/90)	1444.42	1451.06	(c)	1463.88	30/4	1258.16	2/1
CAC 40(31/12/87)	2120.59	2136.91	(c)	2148.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	900.43	891.89	(c)	902.33	23/4	818.58	2/1
Commerzbank(1/12/53)	2590.10	2569.80	(c)	2601.90	23/4	2370.20	2/1
DAX(30/12/87)	2550.00	2537.33	(c)	2580.18	23/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	922.36	920.98	914.62	1017.96	4/3	881.83	29/4
Hong Kong							
Hang Seng(31/7/64)	10987.59	10816.85	10833.41	11594.99	15/2	10204.87	2/1
India							
BSE Sens.(1979)	3694.29	3795.96	3823.11	3869.87	24/4	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	617.69	621.39	(c)	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2539.00	2525.00	2511.94	2539.00	20/5	2234.61	2/1
Italy							
Banca Comm Ital(1972)	674.10	667.30	662.14	674.10	20/5	572.21	23/3
MIB General(2/1/95)	1142.0	1131.0	1122.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21979.00	21916.60	22147.21	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	311.97	311.16	313.71	318.06	26/4	284.48	11/3
Topix(4/1/68)	1689.84	1684.33	1697.56	1718.00	26/4	1524.12	13/3
2nd Section(4/1/68)	2236.60	2235.82	2236.26	2243.28	2/5	1962.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	(c)	1155.55	1149.98	1189.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(c)	3259.37	3226.21	3284.48	19/4	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	634.0	629.5	(c)	634.00	20/5	538.50	2/1
CBS All Shr(End 83)	378.5	373.8	(c)	378.50	15/5	328.70	2/1
New Zealand							
Cap. 40(1/7/86)	2090.52	2086.03	2071.01	2203.06	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1408.09	(c)	(c)	1444.72	29/4	1259.68	30/1
Philippines							
Manila Comp(2/1/85)	3111.35	3116.69	3112.42	3129.08	9/5	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1868.85	1848.18	1839.48	1868.85	20/5	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	573.35	575.40	578.28	610.37	5/2	553.69	2/1
South Africa							
JSE Gold(28/9/78)	2000.1♥	2028.9	2027.7	2029.20	17/5	1348.40	2/1
JSE Indl.(28/9/78)	7723.9♥	7821.7	7879.2	8739.30	25/1	7723.90	20/5
South Korea							
KoreaCmpEx**(4/1/80)	935.07	937.51	940.96	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	362.96	360.37	357.01	362.98	20/5	323.75	11/1
Sweden							
AffarsvarldnGen(1/2/37)	2005.5	1983.1	(c)	2005.50	20/5	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1740.93	1738.27	(c)	1779.54	26/4	1616.19	17/1
SBC General(1/4/87)	1225.86	1229.92	(c)	1259.89	26/4	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	5774.89	6022.72	6036.93	6182.70	29/4	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1299.23	1300.20	1322.34	1415.04	6/2	1247.79	13/3
Turkey							
Istanbul Cmp.(Jan 1986)	66647.6	65745.1	65434.9	72066.80	8/4	38779.38	2/1
WORLD							
MS Capital IntS(1/1/70)	778.4*	775.2*	775.5	779.40	29/4	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1690.84	1680.34	1682.03	1692.67	26/4	1504.48	11/1
Euro Top-100(26/6/90)	1453.31	1450.40	1443.57	1458.28	26/4	1333.01	11/1
HSBC JC Orgn(31/12/88)	(u)	375.19	375.29	383.16	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	162.08	162.53	162.71	164.14	14/5	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC 40 (200 x index)							
May	2133.0	2112.0	−19.0	2135.0	2110.0	13,843	34,513
Jun	2114.0	2091.5	−18.5	2114.0	2090.0	1,071	31,013
DAX							
Jun	2554.0	2546.0	−8.5	2563.0	2542.5	14,775	−
Sep	2575.0	2565.0	−9.5	2581.0	2563.5	95	−
OMX							
Apr	−	1518.00	−	−	−	−	−
May	−	1510.50	−	−	−	−	−
SOFFEX							
May	3590.0	3557.0	−17.0	3592.0	3555.0	4,212	21,824
Jul	3590.0	3557.5	−4.0	3591.2	3577.0	11	2,843

** Sat May 18: Taiwan Weighted Price 6021.13; Korea Comp Ex 928.60. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp. Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 20 - 2541.98 -10.31

US INDICES

Dow Jones	May 17	May 16	May 15	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5687.50	5635.05	5625.44	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (8/7/32)
Home Bonds	101.62	101.49	101.57	106.69 (14/2)	101.19 (8/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2265.64	2249.44	2255.65	2229.22 (14/5)	1882.71 (18/1)	2229.22 (14/5/96)	12.32 (8/7/32)
Utilities	212.41	212.48	214.22	234.08 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5729.81 (5677.53) Low 5631.35 (5577.42) (Theoretical♦)
Day's high 5698.58 (5653.89) Low 5685.79 (5607.34) (Actual♦)

Standard and Poors	May 17	May 16	May 15	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	668.91	664.85	665.42	665.60 (14/5)	598.48 (10/1)	668.60 (14/5/96)	4.40 (1/6/32)
Industrials♥	796.18	791.27	791.46	790.95 (14/5)	702.07 (15/1)	790.95 (14/5/96)	3.62 (21/6/32)
Financial	66.59	65.98	66.21	68.68 (5/3)	58.67 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	358.78	356.41	356.64	356.52 (14/5)	321.41 (10/1)	356.52 (14/5/96)	4.46 (25/4/42)
Amex Mkt Val	605.21	602.73	600.55	608.78 (14/5)	529.05 (18/1)	608.78 (14/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1241.88	1239.31	1233.56	1234.49 (14/5)	988.57 (15/1)	1234.48 (14/5/96)	54.87 (31/10/72)

RATIOS

	May 17	May 10	May 3	Year ago
Dow Jones Ind. Div. Yield	2.17	2.20	2.21	2.54
	May 15	May 8	May 1	Year ago
S & P Ind. Div. yield	1.88	1.92	1.86	2.21
S & P Ind. P/E ratio	21.98	21.26	21.60	18.77

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Coca Cola	7,424,300	46⅞	+⅜
Tele Bras	6,601,700	59	+1⅛
Wal-Mart	6,023,100	24¼	+½
Bay Networks	5,377,000	33½	-¼
Hewlett-Pck	5,139,100	109⅛	+4⅛
Ford Motor	4,914,000	37⅛	+⅛
Philip Morris	4,909,900	95½	+4⅛
AT & T	4,758,500	61⅛	-1⅛
Royal Dutch	4,521,200	149⅞	+1¾
Tele Mex	4,064,800	34	½

TRADING ACTIVITY

● Volume (million)

	May 17	May 16	May 15
New York SE	432.152	389.963	419.571
Amex	23.133	22.324	25.507
NASDAQ	648.488	643.287	706.408
NYSE			
Issues Traded	3,129	3,137	3,150
Rises	1,454	1,038	1,226
Falls	843	1,291	1,141
Unchanged	832	808	783
New Highs	184	129	193
New Lows	8	11	7

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	671.30	673.75	+2.75	675.25	671.30	59,429	185,339
Sep	680.80	679.50	+2.40	681.20	679.00	2,319	16,203
Nikkei 225							
Jun	22250.0	22030.0	+50.0	22400.0	22010.0	21,811	279,195
Sep	22260.0	22140.0	+80.0	22460.0	22120.0	1,852	21,869

Open interest figures for previous day.

‡ Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

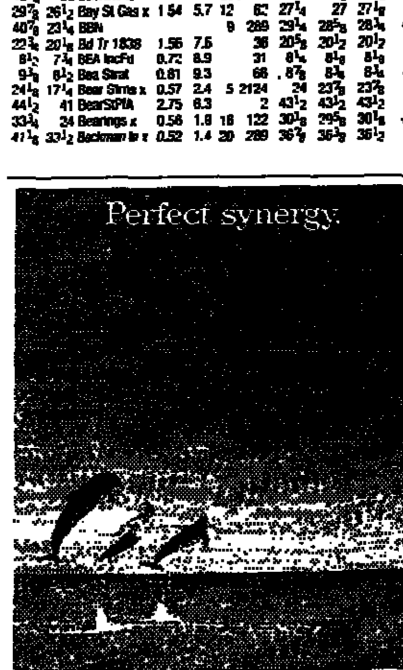
TOKYO - MOST ACTIVE STOCKS: Monday, May 20, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	8.5m	378	+6
Nagasakiya	5.9m	940	-39
NKK Corp	5.6m	322	+5
Kobe Steel	4.9m	315	+1
Kawasaki Steel	4.3m	400	+9
Toyo Tire & Rub	3.7m	522	+3
Dai-Ichi Katei	3.4m	870	-25
Mitsubishi Chem	3.2m	541	-15
Bk Tk-Mitsubishi	3.2m	2530	+40
Kawasaki Hvy Ind	2.9m	545	+7

4 pm close May 20

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	19⅛	AAR	0.48	2.0	25	1323	u23¾	23	23⅝	+½
46⅛	36⅜	AMP	1.00	2.3	21	2231	43¼	42¾	43	
96¾	68	AMR			23	5718	u96¾	95⅜	95⅞	
50½	37⅜	ASA x	1.80	4.1	29	818	44½	44¼	44⅜	-½
44¾	38⅛	AbbtL	0.96	2.3	18	7568	41¾	41	41½	+⅛
17¼	13⅜	Abitibi Pr	0.40	2.8	7	240	14⅜	14⅛	14⅛	-¼
36	27	ABM Ind	0.70	2.0	18	101	35⅝	35¼	35⅜	-¼
17⅛	13⅞	Acptncein			45	96	u17⅛	16¾	17⅛	+⅛
50⅜	37¾	ACE Ltd	0.56	1.2	10	2225	45½	45	45¼	+⅜
9⅞	9⅛	ACM Gvt In x	0.90	9.2	8	580	9¾	9¾	9¾	
7⅞	6¾	ACM GvOpp x	0.57	8.3		169	7	6⅞	6⅞	
7¼	6¼	ACM Gvt Sp x	0.66	10.2		203	6½	6⅜	6½	+⅛
9⅛	8¼	ACM Gvt Sa x	0.90	10.6		106	8⅝	8½	8½	-⅛
9½	8¾	ACM Man x	0.90	10.0		165	9⅛	9	9	
30¾	16½	AcmeClv	0.52	1.7	7	40	30⅛	29⅞	30	
13⅞	6⅛	Acme Elect			65	238	12⅛	11⅜	11¾	+⅜
32½	27¾	Acordia	0.72	2.2	19	7	32⅛	31⅞	32⅛	+⅛
21⅜	12	Acuson			91	3161	20⅜	19⅞	20⅛	+¼
19½	18⅜	Adams Expr x	1.65	8.6	0	63	19¼	19⅛	19¼	+⅛
21¼	18⅛	AdvMic			7	14148	19	18⅜	18½	-⅞
11⅛	8½	Advest Grp	0.16	1.5	7	91	11	10¾	10⅞	
26⅛	9⅛	Advo Inc	0.10	0.9	61	95	11⅛	11	11⅛	
50⅜	41⅛	Aegon	1.23	2.5	15	42	50	49¾	50	+⅝
6¾	3½	Aerflx			4	772	6½	6	6⅛	-¼
78¾	66⅜	AetnaL	2.76	3.8	19	7541	73⅜	71¾	73	+1⅜
33	26¾	AFlac x	0.40	1.3	13	1363	31¼	30⅞	31⅛	
20⅜	17½	AGL Res	1.06	5.9	15	838	18	17⅝	17⅞	
26¾	21¼	Ahmnsn x	0.88	3.4	7	10057	26¼	25⅝	26⅛	+⅝
59¼	50⅜	AirPrC	1.10	1.9	15	2298	58¾	58⅛	58⅜	-¼
28⅜	23½	Airbrne Frt	0.30	1.1	25	437	27½	27⅛	27¼	-⅜



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Continued on next page

4 pm close May 20

NYSE PRICES

Continued from previous page

AMEX PRICES

4 pm close May 20

NASDAQ NATIONAL MARKET

4 pm close May 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.12	84	305	41¾	41⅛	41¼	-¼
Acclaim E		15	9403	u14	13	13⅜	-¼
Acme Metals		8	z100	17	17	17	-¾
Acxiom Cp		42	2799	u30	28⅞	29⅞	+¾
Adeptech		31	13484	u61	58	60	+1⅜
ADC Tele		48	3803	u49¾	48¼	49	+½
Addington		12	496	14½	13⅞	14	
AdiaADR	0.16	25	90	28½	28⅜	28½	-⅛
Adobe Sys	0.20	35	7243	44⅞	42⅞	43⅛	+⅛
Adv Logic		14	1743	9	8½	8⅞	+¼
Adv Polym		15	500	9½	9¼	9½	+¼
AdvTchLab		32	3317	35¾	32¾	35¾	+¾
Advanta	0.36	17	305	57½	56¾	57½	+½
AgnicoEa	0.10	53	155	19⅞	19¼	19¼	-⅞
AirExpr	0.20	17	288	29	28¼	29	
Akzo ADR	1.75	10	1016	58¼	57½	58¼	+1½
AldBld	0.88	21	714	26¼	25¾	26	-½
Allen Org x	0.52	12	95	37.21	37	37	
Allan Ph		18	8294	19¹¹⁄₁₆	18⅝	19⅜	+⅝
AlldCapII	1.40	16	186	18	17½	18	+½
Alld Cap	1.08	12	213	13⅞	13⅜	13½	
Aloette C	0.32	22	6	4⅛	4⅛	4⅛	
Alta Gold	0.06	24	1758	3⅜	3¼	3⅜	

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AMERICA

Dow heads for record close in midsession

Wall Street

US shares inched higher in quiet, midsession tradeas investors hoped that some signal about the course of monetary policy might emerge from today's meeting of the Federal Reserve's Open Market Committee, *writes Lisa Bransten in New York.*

Trading was volatile throughout the morning, with the Dow Jones Industrial Average climbing more than 24 points in early trade before the index fellinto negative territory. By 1 pm, however, the blue chip index had recovered from its low and was trading with a gain of 14.01 at 5,701.54. That put the Dow on course to end above the record close of 5,689.74 set on April 3.

Modest gains in other indices helped them to top record highs set on Friday. The Standard & Poor's 500 added 1.38 at 670.29, the American Stock Exchange composite gained 1.01 at 606.22 and the Nasdaq composite was 3.93 stronger at 1,245.81. NYSE volume was 209m shares.

Few on Wall Street believed that the FOMC would move interest rates at today's meeting, but economists were divided about whether the Fed's next move would be a loosening or a tightening of monetary policy. Many strategists were hopeful that the Fed would put out a statement at the conclusion of the meeting that would indicate whether policy was biased toward easing or tightening through to the end of the year.

The bond and currency markets were generally supportive of equities, with both posting modest gains in early trading. The yield on the benchmark 30-year Treasury bond fell 3 basis points to 6.80 per cent, thus removing some recent fears that higher bond yields would attract money to bonds from stocks.

In individual shares, ValuJet, the US discount airline, continued the fall that it began after one of the company's aircraft crashed in Florida, dropping another $1⅛ or 9 per cent to $12. In the previous five sessions, the carrier's shares had lost more than $4½.

Toys 'R' Us added $⅝ at $30⅝ after reporting first-quarter earnings of 7 cents a share, beating the consensus earnings estimate by 1 cent a share.

Shares in Gucci Group rose $2⅝ or 3 per cent to $65⅝ as investors bet that the company's earnings, which are due today, would be strong.

A $1⅞ decline in shares of Aluminum Company of America to $63¼ weighed on the Dow. An analyst at Smith Barney downgraded the shares to "outperform" from "buy".

● Toronto was closed for a public holiday.

Mexico edges ahead

Mexico City was slightly firmer in midsession trading, with the IPC index up 6.20 at 3,265.57. Dealers said that they expected the market to test the next resistance level at 3,270 during the session, on optimism over recent positive economic data.

Sigma, a food manufacturer, was nearly 5 per cent stronger by midday.

SAO PAULO had made a little headway by midday as investors continued to make purchases of Telebras, which had announced strong first-quarter earnings at the end of last week. The Bovespa index was 52.36 higher at 55,656.

The utility, which accounts for more than 40 per cent of the market's capitalisation, had risen nearly 3.5 per cent on Friday, and by midsession yesterday the domestic stock was slightly stronger.

Brokers said that they could not rule out some profit-taking later in the day: so far this month the preferred shares have risen by more than 10 per cent.

Attention was also being directed at Light, as investors awaited news of the power distributor's privatisation.

BUENOS AIRES edged back in midsession trade as profits were taken after last week's 6.9 per cent bull run. The Merval index was 0.66 easier at 609.35 by midday, still holding above 600 achieved last week for the first time in 19 months.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.99	+1.56	+6.84	+14.37	+9.86	+6.62
Belgium	+1.93	+1.13	+15.80	+6.92	+2.75	+0.31
Denmark	-0.28	+0.32	+11.59	+8.35	+4.41	+1.45
Finland	+1.39	+3.81	-0.43	+10.22	+4.22	+1.58
France	+1.01	+1.97	+8.99	+16.41	+12.61	+9.01
Germany	+2.58	-0.41	+17.66	+10.17	+5.83	+2.45
Ireland	-0.21	+0.40	+27.29	+11.32	+11.27	+8.85
Italy	+1.60	+7.36	-0.13	+11.78	+17.49	+12.39
Netherlands	+0.29	+2.33	+28.34	+14.21	+10.00	+8.25
Norway	-0.23	+0.02	+14.40	+9.91	+8.60	+5.51
Spain	+0.94	+1.31	+25.92	+12.81	+9.96	+8.22
Sweden	+1.12	+2.72	+26.32	+14.69	+15.60	+11.72
Switzerland	+0.92	-0.92	+30.85	+8.56	+2.29	-0.73
UK	+0.74	-1.70	+15.04	+3.56	+3.56	+0.59
EUROPE	+1.08	+0.27	+16.91	+8.95	+6.88	+3.67
Australia	-0.22	-0.36	+10.12	+1.38	+11.79	+9.58
Hong Kong	+2.10	-0.20	+17.04	+9.84	+12.47	+9.95
Japan	+1.68	+0.04	+27.00	+5.38	+4.40	+2.18
Malaysia	-0.20	-1.52	+9.39	+14.42	+19.56	+16.28
New Zealand	-1.40	-2.62	-7.05	-3.96	+3.23	+0.74
Singapore	-3.16	-6.88	+5.34	+1.36	+4.35	+2.14
Canada	+0.48	+2.75	+18.63	+10.91	+13.09	+10.47
USA	+2.55	+3.67	+26.46	+8.56	+11.21	+7.97
Mexico	+1.95	-2.52	+53.44	+18.93	+26.86	+22.25
South Africa	+1.02	-1.37	+22.99	+10.43	-4.54	-5.40
WORLD INDEX	+1.78	+1.56	+22.87	+7.96	+8.45	+5.54

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EUROPE

Frankfurt, Paris fall back as Nordic duo shines

The Continent's two biggest bourses, Frankfurt and Paris, were as unwilling as London to follow Wall Street's early gains for a second day in succession, traders talking of low volume, token warning strikes in the German public sector, and the threat of industrial action in France later this week. However, other markets were not so shy.

STOCKHOLM highlighted pharmaceuticals, the sector climbing 2.5 per cent as the Affärsvärlden General index rose 22.4 to 2,005.5 in turnover of SKr3.5bn.

Astra, due to be listed in New York on Thursday, saw its A shares up SKr8.50 at SKr317.50, partly due to gains in US drugs companies in New York on Friday. Pharmacia & Upjohn, meanwhile, put on SKr5.50 at SKr277.50, as J.P. Morgan's Mr Steven Tighe put out a buy note in advance of Pharmacia's R & D analyst meeting tomorrow, looking forward to news about oxazolidinones, described as "a novel class" of antibiotics.

Forestry shares gained on falling pulp stocks, SCA closing SKr2.50 higher at SKr149; and Ericsson jumped SKr3.50 to SKr149 on news that Smith Barney had upgraded its Finnish rival, Nokia.

HELSINKI climbed to a seven-month peak in a rally fuelled by Nokia and Raisio, and the Hex general index finished 27.39 or 1.4 per cent ahead at 2,025.34.

Nokia rose NKr4.90 to NKr174.50 on the Smith Barney upgrade. The move came as the US investment bank reduced its 1996 earnings forecast, following last week's lower than expected first quarter earnings figures, but increased its 1997 projection.

Raisio finished FM6 higher at FM306. Earlier, it had attempted to match the pace of last week's 42.5 per cent rally, shooting up 15 per cent to another record high of FM345 in further response to reports about the company's cholesterol reducing margarine.

AMSTERDAM was supported by strength on Wall Street and the AEX index moved ahead 3.98 to 558.18, although turnover was understood to have been lower than average.

Among the leaders, Akzo Nobel firmed Fl 4.00 to Fl 198.50 as Salomon raised its rating on the company, believing the stock to be undervalued.

Vendex, the retail and services group, appreciated 90 cents to Fl 51.90 as it said that it would buy back 7 per cent of its shares from the Vede holding company.

However, Nedlloyd slipped 40 cents to Fl 36.60 ahead of today's first-quarter results.

FT-SE Actuaries Share Indices

May 20 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1690.75	1691.52	1690.15	1689.47	1689.99	1692.21	1692.41	1690.64
FT-SE Eurotrack 200	1735.29	1736.54	1733.88	1733.19	1733.07	1734.20	1734.12	1733.46

	May 17	May 16	May 15	May 14	May 13
FT-SE Eurotrack 100	1690.34	1692.03	1682.60	1678.81	1668.58
FT-SE Eurotrack 200	1727.37	1724.84	1729.28	1725.66	1714.61

Base value 1000 (26/10/90); High/day: 100 - 1693.36, 200 - 1737.29 Low/day: 100 - 1688.87 200 - 1731.61. † Partial

Analysts were expecting a net loss from ordinary operations of between Fl 15m to Fl 30m.

MILAN made a strong start as Mr Romano Prodi was sworn in as prime minister, but the shares subsequently ran into profit-taking as investors awaited inflation figures from three cities after the market closed. The Comit index rose 6.80 to 674.10 but the real-time Mibtel index turned back from a high of 10,775 to finish 12 weaker at 10,698.

Fiat rose L85 to L5,297 after weekend reports quoted the chairman, Mr Cesare Romiti, as saying that the group planned to sell off some non-core assets. Snia BPD, seen by analysts as a possible candidate, added just L2 at L2,035.

Magneti Marelli rose L74 to L2,493 as the motor components group, controlled by Fiat, reported higher sales in the first four months of 1996.

Pirelli picked up L25 to L2,501; it said that trading trends in 1996 were mirroring those of 1995 when consolidated net profits doubled. Montedison rose L20.1 to L991.1 on further vague break-up talk surrounding the company.

MADRID saw more strength in utilities, where there had been talk of stakebuilding by major Spanish banks. The sector put on 1.1 per cent, Endesa outperformed again with a rise of Pta150, or 1.8 per cent, to Pta8,330 and the general index hit new highs, up 2.59 at 362.96.

FRANKFURT had a morning run, stopping a point short of its all-time Ibis Dax high of 2,558.56, but fell away through the afternoon to close 10.31 down at 2,541.98.

Turnover was virtually flat and low, by recent standards, at DM6.9bn. Lacking a coherent investment direction, the mood turned speculative and bad results from the depressed construction sector were rewarded, mostly, with share price rises, Dyckerhoff putting on DM9 at DM384 and Strabag Bau DM19.50 at DM190, although the latter was seen as optimistic for the current year.

ZURICH's rate sensitive banks and insurers led the way down on renewed concerns about interest rate development, and the SMI index finished 9.0 weaker at 3,584.0.

UBS bearers fell SFr38 to SFr1,155, but analysts said that the fall was the result of technically inspired trading and derivatives related transactions. SBC lost SFr5.75 to SFr227.50 ahead of today's board meeting.

Against the trend, Ciba picked up SFr16 to SFr1,423 and Sandoz was SFr10 higher at SFr1,332 after Ciba's chairman reported that sales growth had improved in April.

Baloise ended SFr145, or 5.1 per cent, lower at SFr2,675 after the insurer announced a co-operation agreement with CSS, the health insurer.

PARIS blamed profit-taking in thin turnover of just over FFr3bn as the CAC-40 index eased 16.32 to 2,120.59.

Among the banks, BNP lost FFr3.20 to FFr198, Bancaire retreated FFr8 to FFr584 and Crédit Lyonnais slipped FFr5.50 to FFr164.

The banks team at Goldman Sachs said yesterday that it was maintaining an underweight rating on the sector, and remained pessimistic in the medium term based on ongoing "structural problems". At the core of Goldman's argument was the belief that "France's bank profitability problem lies not in asset quality difficulties, but rather in a fundamentally poor operating structure". In addition, said Goldman, "the propensity to make radical change in the French banking system remains low".

VIENNA firmed 1.2 per cent helped by strong demand for leading issues such as OMV. The ATX index advanced 13.00 to 1,222.8.

OMV made Sch14 to Sch1,055 ahead of the pricing of a secondary share offering from the oil group. The state holding company later announced that the secondary offer would be priced at Sch1,055 a share.

ISTANBUL lost some of the morning's gains as profit-taking came to the fore in the afternoon. The composite index rose 902.51, or 1.4 per cent, to 66,647.66, having climbed more than 2 per cent at one stage. Turnover was TL12,040bn.

Analysts felt that last week's fears that the coalition government might tumble now seemed to have been allayed.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Taipei falls 4% following presidential inauguration

Taipei dropped 4.1 per cent in spite of heavy government related buying. The weighted index lost 246.29 at 5,774.89, off a session's low of 5,759.14, in turnover of T$50.3bn.

Brokers said investors had found little to commend in the inaugural address of President Lee Teng-hui, the first directly elected head of state. One remarked that a celebratory rally had been anticipated for more than a month, but now investors were simply disappointed at the lack of content in the president's speech.

Financial stocks led the session's fall with a decline of 5.4 per cent. Chang Hwa Bank, which had risen early on, fell T$5.50 to T$147.50 and Cathay Life tumbled T$8 to T$165. The construction sector retreated 5 per cent.

Tokyo

Undermined by profit-taking and technical activity, the Nikkei average was unable to sustain a 357-point morning gain, *writes Emiko Terazono in Tokyo.*

The 225 index ended a net 62.40 up at 21,979.00, just off a day's low of 21,977.39; it had seen a high of 22,311.29. The dollar's rise above the Y107 level for the first time since April 25 lifted early sentiment, encouraging futures-led buying and purchases by corporate stock investment associations. But profit-taking, and selling as professionals adjusted their positions, gathered momentum in the afternoon.

Volume totalled 391m shares, against 464m. Trading was led by arbitrage linked activity, while many domestic investors, along with overseas investors, remained on the sidelines and watched the rally lose steam. Individuals, who had been active buyers of speculative favourites over the previous few weeks, started to take profits on their positions.

The Topix index of all first section stocks gained 4.71 on balance at 1,689.04 and the Nikkei 300 put on 0.79 at 311.97. Rises led declines by 593 to 458, with 179 issues unchanged.

In London the ISE/Nikkei 50 index gained 3.38 at 1,473.07.

High-technology issues were mixed in spite of the stronger dollar. Some investors were discouraged by reports of weakening earnings growth at semiconductor manufacturers.

Among speculative stocks, Nagasakiya, the supermarket chain, fell Y39 to Y940 on active selling; consumer electronic retailer Dai-Ichi Katei Denki lost Y25 to Y845.

Electric railway and bus companies, regarded as laggards, gained ground. Seibu Railway rose Y320 to Y6,020. Firm crude oil prices helped oil refiners and distributers. Nippon Oil improved Y14 to Y708.

Steel issues were supported by domestic institutions. Nippon Steel, the day's most active issue, put on Y6 at Y378.

In Osaka, the OSE average was finally 77.56 up at 23,482.15 in volume of 37.7m shares.

Roundup

Doubts that the fledgling government of the Hindu nationalist BJP would be able to stay in power left BOMBAY tumbling 2.7 per cent. The BSE 30-share index receded 101.67 to 3,694.29, with foreign funds said to have remained firmly on the sidelines.

Analysts noted that the day's fall took the index below its 3,700-point resistance level, opening the way to a further fall to 3,620.

HONG KONG jumped 1.6 per cent in response to Friday's rally in US stocks and bonds. The Hang Seng index finished 170.74 higher at 10,987.59 after meeting resistance as it tested the 11,000 level. Turnover rose to HK$4.6bn.

Li Ka-shing's Cheung Kong rose HK$1 to HK$54.25 and its Hutchison associate climbed 80 cents to HK$48.50, although the Li flagship did no more than to hint at its infrastructure spin-off plans in an announcement published on Monday.

HSBC advanced HK$2.50 to HK$114.50 and its Hang Seng Bank unit was ahead HK$1.50 at HK$80.

HK Telecom gained 15 cents to HK$15.20 after the People's Daily reported that China, the group's largest overseas calling market, planned to cut international charges by an average 20 per cent in the second half.

SINGAPORE was lower as investors continued to adopt a cautious approach to property stocks, which plunged last week after the government announced a rash of measures to curb speculation. The Straits Times Industrial index fell 18.87 points to 2,322.92.

Among property issues, Wing Tai Holdings bucked the trend, adding 8 cents at S$2.99 on rumours that 70 per cent of its new project in a prime residential district had been sold.

SEOUL closed higher after a late spurt of institutional demand for blue chips, and the composite index picked up 6.27 at 935.07.

Samsung Electronics fell in the morning on worries about a cut in profits in line with falling chip prices, but later rallied to end at Won86,000, up Won1,500, on foreign and institutional buying.

BANGKOK fell to a seven-week low on profit-taking in major issues and continuing worries about a cabinet reshuffle. The SET index shed 10.97 to 1,289.23 in volume of 60.2m shares valued at a lower than average Bt4.3bn. The slow trading was attributed to uncertainty over a cabinet reshuffle expected later this week.

TelecomAsia was the most actively traded stock, dipping Bt3.50 to Bt54 on an 82 per cent fall in the group's first-quarter earnings.

JAKARTA was softer in very light turnover as most investors remained sidelined in anticipation of three forthcoming IPOs. The JSX index shed 3.70 to 617.69. The first IPO is scheduled to be PT Citatah, a manufacturer of marble, on May 28, with PT PP London Sumatra Indonesia and PT Cahaya Kalbar, a cocoa butter producer, to follow in June.

● Kuala Lumpur was closed.

S Africa stages broad retreat

Johannesburg staged a broad retreat after the banks' decision last Friday to raise their prime lending rates to 20.5 per cent, without waiting for a lead from the Reserve Bank.

The overall index finished 70.6 off at 6,671.0 and golds surrendered 28.8 to 2,000.1.

Industrials were lower for a fourth consecutive session, relinquishing 97.8 at 7,723.9 and taking the index down 10.3 per cent since April 25, the day before the Reserve Bank increased its bank rate to 16 per cent in an effort to steady a wildly volatile rand.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 17 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MAY 16 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	207.38	0.1	202.86	139.80	164.55	172.26	0.3	4.25	207.11	203.12	139.68	165.48	171.77	212.16	162.68	171.95
Austria (25)	187.18	0.8	183.10	126.18	148.52	148.44	0.1	1.89	185.75	182.17	125.23	148.41	148.33	199.28	168.11	166.21
Belgium (27)	209.78	1.0	205.21	141.42	166.45	162.30	0.2	4.10	207.79	203.78	140.06	166.01	161.98	215.81	166.06	182.15
Brazil (28)	167.30	1.1	163.65	112.78	132.74	306.59	1.0	2.11	165.50	162.31	111.57	132.22	303.62	170.25	123.97	145.23
Canada (99)	163.88	0.1	160.31	110.47	130.03	162.59	0.3	2.34	163.72	160.56	110.37	130.80	162.15	164.22	134.14	139.51
Denmark (30)	294.35	0.6	287.93	198.42	233.55	235.64	0.0	1.90	292.46	286.84	197.18	233.66	235.63	305.17	272.15	276.01
Finland (23)	190.33	0.2	186.18	128.30	151.02	187.90	-0.2	2.66	190.01	186.35	128.10	151.81	188.32	276.11	171.73	204.65
France (97)	197.57	1.2	193.27	133.19	156.76	160.22	0.5	2.99	195.25	191.49	131.63	156.00	159.36	198.39	167.70	183.67
Germany (60)	169.13	1.0	165.44	114.01	134.20	134.20	0.3	1.86	167.41	164.18	112.86	133.75	133.75	174.38	149.49	152.89
Hong Kong (59)	425.67	0.0	416.39	286.95	337.75	422.74	0.0	3.37	425.58	417.37	286.91	340.02	422.71	451.19	348.81	383.77
Ireland (16)	277.54	0.9	271.49	187.09	220.21	250.04	0.6	3.42	275.08	269.78	185.45	219.78	248.59	279.02	220.31	222.58
Italy (59)	84.53	2.6	82.69	56.98	67.07	97.62	2.0	2.24	82.35	80.77	55.52	65.80	95.73	84.53	67.22	79.10
Japan (481)	157.91	-0.8	154.46	106.45	125.29	106.45	-0.8	0.71	159.23	156.16	107.35	127.21	107.35	164.89	137.75	163.10
Malaysia (107)	566.22	0.6	553.86	381.70	449.27	542.78	0.4	1.63	563.03	552.18	379.58	449.84	540.63	585.09	425.77	520.95
Mexico (18)	1282.76	1.2	1254.80	864.73	1017.81	10377.82	1.0	1.36	1267.37	1242.94	854.43	1012.58	10279.65	1313.61	791.99	1044.06
Netherland (19)	292.84	-0.6	286.46	197.41	232.35	227.90	-1.4	3.16	294.85	288.97	198.85	235.41	231.08	295.22	237.16	242.03
New Zealand (15)	80.28	0.7	78.53	54.12	63.70	62.13	0.8	4.42	79.76	78.22	53.77	63.72	61.62	85.49	76.26	83.98
Norway (35)	245.19	0.6	239.85	165.29	194.54	218.00	0.0	2.08	243.72	239.02	164.31	194.72	218.00	255.75	215.04	219.07
Singapore (44)	414.81	-0.4	405.77	279.63	329.13	269.08	-0.5	1.41	416.43	408.40	280.75	332.71	270.29	465.21	356.81	395.97
South Africa (45)	359.09	0.0	351.26	242.07	284.92	339.06	-0.9	2.12	359.14	352.21	242.12	286.94	342.05	437.76	336.91	349.75
Spain (37)	177.32	1.7	173.46	119.54	140.70	171.28	1.0	3.24	174.44	171.07	117.60	139.37	169.63	179.85	141.19	143.41
Sweden (48)	352.20	1.2	344.52	237.42	279.45	351.16	0.7	2.29	348.06	341.37	234.67	278.10	348.88	352.26	250.83	254.45
Switzerland (38)	235.65	1.0	230.52	158.86	186.98	182.76	0.4	1.62	233.26	228.78	157.27	186.36	182.05	252.34	184.11	187.89
Thailand (46)	178.75	0.0	174.86	120.50	141.83	175.42	-0.1	1.87	178.82	175.38	120.56	142.87	175.57	193.95	146.74	167.08
United Kingdom (201)	233.06	1.2	227.98	157.11	184.92	227.98	0.9	4.04	230.37	225.93	155.31	184.06	225.93	237.43	208.12	209.83
USA (626)	272.76	0.6	266.82	183.87	216.43	272.76	0.6	2.16	271.10	265.87	182.77	216.60	271.10	272.76	212.45	215.69
Americas (771)	248.23	0.6	243.80	168.01	197.75	209.50	0.6	2.16	247.73	242.95	167.01	197.93	208.23	249.23	195.09	197.94
Europe (715)	209.58	1.1	205.01	141.28	166.29	185.10	0.5	3.02	207.39	203.39	139.82	165.70	184.11	211.35	181.77	184.40
Nordic (136)	299.66	0.9	293.33	202.14	237.82	262.73	0.4	2.28	297.16	291.43	200.34	237.42	261.76	299.86	241.98	245.51
Pacific Basin (832)	170.67	-0.7	166.96	115.05	135.42	117.61	-0.7	1.16	171.79	168.47	115.81	137.25	118.38	177.01	148.86	162.66
Euro-Pacific (1547)	186.78	0.1	182.71	125.91	148.20	143.18	-0.1	2.06	186.51	182.91	125.74	149.01	143.32	190.57	166.51	171.62
North America (725)	266.02	0.6	260.22	179.33	211.07	265.35	0.6	2.17	264.44	259.34	178.28	211.28	263.76	266.02	207.83	210.97
Europe Ex. UK (514)	191.59	1.0	187.41	129.15	152.02	159.69	0.3	2.47	189.70	186.04	127.89	151.55	158.16	192.67	163.36	166.42
Pacific Ex. Japan (351)	290.04	0.1	283.72	195.52	230.13	249.20	0.1	3.05	289.64	284.05	195.27	231.41	248.85	296.68	243.59	255.28
World Ex. US (1737)	188.03	0.1	183.93	126.75	149.19	147.64	-0.1	2.03	187.74	184.12	126.57	150.00	147.77	191.56	167.36	172.42
World Ex. UK (2162)	212.26	0.3	207.64	143.09	168.42	179.13	0.1	1.90	211.89	207.81	142.71	169.13	178.87	212.60	179.23	183.06
World Ex. Japan (1882)	245.43	0.7	240.08	165.44	194.73	232.96	0.5	2.60	243.69	238.99	164.29	194.70	231.73	245.43	201.25	204.32
The World Index (2363)	214.17	0.3	209.50	144.37	169.93	183.67	0.2	2.09	213.42	209.31	143.86	170.52	183.28	214.52	181.82	185.42

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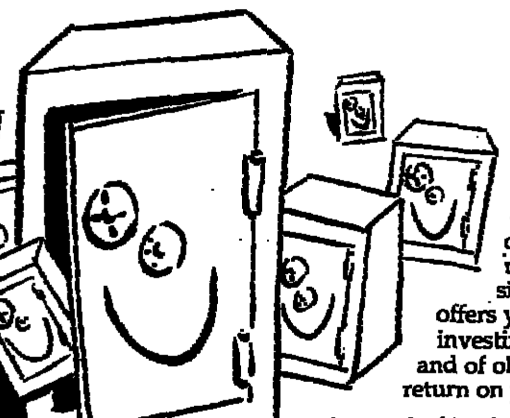

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Hope grows that IRA will resume ceasefire

By John Kampfner at Westminster and John Murray Brown in Dublin

Expectations of a ceasefire by the Irish Republican Army were raised last night after Mr Gerry Adams, Sinn Féin president, said he would accept the six principles of non-violence to be put to all parties at the start of talks next month.

Mr Adams's comments come amid increasing optimism in London and Dublin that the IRA may abandon its campaign of violence to enable Sinn Féin, its political wing, to take part in the negotiations from the start on June 10.

Officials of the government of the Republic of Ireland who have met Mr Adams and Mr Martin McGuinness, Sinn Féin's chief negotiator, in recent weeks believe Sinn Féin is making detailed preparations to rejoin the political process.

The British, Irish and US governments have told Sinn Féin it will not be allowed into the talks before the IRA calls a ceasefire.

During the first plenary session of the talks all the parties will be required to declare their commitment to the six principles set out by former US Senator George Mitchell in his report on arms decommissioning last January.

The principles were devised by Mr Mitchell's team as a means of overcoming an impasse caused by Sinn Féin's refusal to accept a British condition that the IRA make an initial physical handover of weapons. Sinn Féin had previously indicated it was not opposed to the Mitchell formula, which emphasises that parties must abide by political agreements and must not revert to violence.

However, in a BBC interview last night, Mr Adams gave an explicit pledge when he said: "I'll sign up to the Mitchell principles provided everyone else does it and provided they are within the context of proper all-party talks."

Senior British officials said the statement appeared to lay the ground for an IRA ceasefire, which they say is more likely to take place before the May 30 elections to a Northern Ireland forum than after.

However, they pointed to a possible negative interpretation. Sinn Féin might use Mr Adams's remarks to argue that it has nothing to do with the IRA and should be allowed into the talks whether a ceasefire is announced or not.

The prospect of Mr Adams and Mr McGuinness demanding in front of the world's press to be let into the negotiating room in Belfast on June 10 alarms UK and Irish ministers.

In recent days, Sinn Féin has been anxious to play down expectations of an imminent ceasefire, although party officials do not rule it out altogether. The main unanswered question is the extent to which Mr Adams and Mr McGuinness influence the IRA army council and are party to its decisions, such as the resumption of terrorism with the Canary Wharf bombing in London on Feb 9. Mr Adams made clear yesterday that Sinn Féin "are not the IRA".

Mr Seamus Mallon, deputy leader of the moderate nationalist Social Democratic and Labour party, said Mr Adams's agreement to abide by the six principles had "changed the landscape completely".


Ulster Unionist party leader David Trimble and his wife campaigned in Belfast yesterday for the election of the 110-seat Northern Ireland forum, from which parties will appoint negotiators for talks on the future of the region. Mr Trimble, leader of the largest pro-British party in the region, said he "was seeking an alternative and a replacement of the Anglo Irish Agreement" – the 1985 accord which first enshrined the Irish Republic's right to a role in Northern Ireland.

UK NEWS DIGEST

Premier to laud privatisation

Mr John Major will tonight signal that privatisation is back at the top of the Conservative election agenda by claiming that the difficulties surrounding the sell-off of the utilities are over. In a speech to the Confederation of British Industry, the prime minister is expected to use yesterday's flotation of Railtrack to demonstrate that public enthusiasm for privatisation has not been diminished by last year's arguments over salaries for gas and water company chiefs.

The transfer of the utilities to the private sector has, Mr Major will say, produced lower prices for consumers, better services and saved taxpayers large sums through the removal of subsidies. Government strategists are preparing to mount a concerted campaign to persuade voters of the benefits of privatisation. "We've got a lot of catching up to do in the public relations stakes," said a senior cabinet member.

John Kampfner, Westminster

Car output stays high

Car production in the UK continued at a 20-year high in April, although last month's recorded 9.4 per cent rise in output compared with the previous April was inflated by a statistical distortion. Raw figures from the Office for National Statistics showed total car output last month of 133,969 units compared with 122,476 in April last year. However, the ONS has changed its reporting system from four or five-week periods to a calendar month basis, which means that April this year contained a longer production period than in April last year.

Even on the NSO's seasonally adjusted calculations, however, last month's output was 2.1 per cent higher. For the first four months of the year as a whole car output totalled 556,951 on an unadjusted basis, 2.4 per cent higher than a year before and leaving the industry on course to produce more than 1.6m cars this year, the highest total for two decades. On a seasonally-adjusted calculation, output for the four months was 1.8 per cent higher.

John Griffiths, Industrial Staff

Bahasa wins sponsorship

The Royal Grammar School in High Wycombe, about 60km west of London, gained backing from HSBC, the banking group, British Aerospace, Vickers, Roll-Royce and Research Machines for becoming the first school to teach Bahasa, the indigenous language of Indonesia and Malaysia. The school is a selective boys' school. Teachers will be provided by the University of London's School of Oriental and Asian Studies. The school's pupils will also make direct links, via the Internet, with schools in Malaysia and Brunei.

Mr David Levin, the headmaster, said: "We want to internationalise the curriculum, and this is where future growth and job opportunities lie. More than 200m people speak Bahasa in the fastest growing economic area in the world."

Mr John Bond, group chief executive of HSBC, which is committing £100,000 to two language colleges, including High Wycombe, said the scheme was a "remarkably good opportunity" to address the learning of eastern languages in the UK which, he said, was very important for the company. Sponsorship of language teaching is organised under a government scheme under which specialist schools which win sponsorship from the private sector can have it matched by the government.

John Authers, London

Power of London charted

London has economic power beyond its size, says the London council of Training and Enterprise Councils. The capital contributes 17 per cent of the UK's GDP even though it has only 11.9 per cent of the country's population. Its potential labour supply, of 4m, accounts for 14 per cent of the UK total. However, the report identified several problems. These included pressure on companies to relocate outside London, while London's economic base became more specialised, shifting away from retail finance and bulk food production towards global finance and "niche" food supply.

John Authers

Strike vote at FT

A majority of members of the National Union of Journalists at the Financial Times have voted for industrial action, short of a strike, against management measures to reorganise and cut costs at the paper involving the loss of 30 jobs. In a ballot conducted by the Electoral Reform Society, 124 journalists – or 84 per cent of those voting – said they were prepared to take action short of a strike. In addition, 94 members, or 66 per cent of those voting, said they were prepared to take part in a strike. A total of 147 of the 224 members voted in a turnout of 66 per cent. A meeting of the FT journalists' chapel (office branch) must be held before any action can be taken.

greater

Raymond Snoddy, London

More legal battles planned over BSE

By Alison Maitland in London

The battle between the government and sections of the meat industry is set to intensify with two further legal challenges over ministers' handling of the beef crisis.

Meat exporters are to apply to the High Court in London today for a judicial review of the government's decision to exclude them from a package of compensation for the abattoir and rendering sectors.

They are seeking £18m to cover stocks of beef which have been unsaleable because of the government's order at the end of March banning cattle over 30 months old from entering the food chain, and the parallel EU ban on British beef exports.

On Thursday, an alliance of abattoirs and beef producers will seek leave from the High Court to apply for the ban – and the consequent destruction of the animals – to be overturned because it conflicts with government assurances that British beef is safe.

The challenges follow the legal action launched last week against the government for its handling of the BSE issue by the family of a woman who died of Creutzfeldt-Jakob disease (CJD), the human equivalent of the cattle brain disease.

The UK government plans to contest attempts by the meat exporters to extend the package of financial help.

Ministers, while hopeful of progressive easing of the EU ban to exempt specialist herds and cattle born after May 1 this year, believe the main ban is likely to stay for many months. Even when it is lifted, they do not expect British beef exports to return to pre-crisis levels, possibly for years.

The government is determined to restrict support to the main links in the beef chain – farmers, abattoirs and renderers – without which the chain would collapse.

Coopers & Lybrand, the accountants, are preparing a report for the government on the impact on other sectors of the industry and are believed likely to recommend no help for exporters. The International Meat Trade Association says that such a course by the government would be discriminatory.

Labour party remains wary of rejoining ERM

By Robert Peston, Political Editor, in Paris

The opposition Labour party launched a campaign yesterday to seek the views of the City of London on the practical challenges of European monetary union. But the party stressed that it opposed the pound rejoining the European exchange rate mechanism.

Mr Gordon Brown, the party's shadow chancellor of the exchequer, said he wanted to elicit "all the potential costs of not joining" a European single currency. Speaking in Paris, where he is discussing monetary union with the French finance ministry and the Bank of France, he said that uncertainty about how any new ERM would operate meant that he was "not recommending rejoining" the system.

He repeated that monetary union could have "substantial benefits". However, in a speech to the French employers' organisation, the Conseil National du Patronat de France, he said it would be "complacent" to fail to take account of the relative costs and benefits of joining or staying outside.

This summer the party would organise a conference of leading City figures to debate the main issues. He needed to "take account of the effects on employment, industry and possible effects on the City of London and our other centres for financial services".

Yesterday Mr Brown held meetings with Mr Jean-Claude Trichet, governor of the Bank of France, and Mr Jean Arthuis, the finance minister. They were keen to discover whether Mr Brown shares the opposition of the British government to rejoining the ERM.

Although less trenchant on the subject than Mr Kenneth Clarke, the chancellor, Mr Brown made clear that he did not favour sterling participating in any current ERM or a reconstituted version for currencies unable to join a single currency in 1999.

Labour, like the UK government, is acutely aware of the political sensitivity of giving any indication that sterling could rejoin, following its precipitate exit in 1992. However, Labour favours monetary union in principle. A fortnight ago, Mr Brown lowered the hurdles for a Labour government to take sterling into a single currency by saying that the trends in output and productivity were more important than their absolute levels when making the decision.

Yesterday he called on European Union members to "achieve the degree of integration and convergence necessary" for monetary union through "greater co-operation". He stressed that monetary union must not be achieved at the price of higher European unemployment and that "real economic convergence" is therefore as important as the financial criteria in the Maastricht Treaty. "You cannot build a monetary union on doing nothing about 20m unemployed," he said.

While criticising fraud and "wasteful spending" in the EU, the thrust of his speech was decidedly pro-European. He distanced Labour from the debate in the Conservative party about whether the UK should withdraw from the EU. "Those who believe that Britain is stronger on her own outside – a Hong Kong of Europe – are deluding themselves," he said.

Auditing report reopens call for liability reform

By Jim Kelly, Accountancy Correspondent

The government is expected to come under renewed pressure to reform the law of professional legal liability with the publication this week of an independent report written for the European Commission.

The report will recommend that auditors in the European Union should be liable in court actions for negligence only in proportion to their degree of fault.

Experts from the Accounting and Auditing Research Centre at Maastricht will argue that such reform will help remove an excessive threat of litigation against auditors.

The UK Department of Trade and Industry is considering responses to a consultation paper which rejected such wholesale reforms for professionals in the UK. Auditors, lawyers, surveyors and architects have been pressing for reform of joint and several liability under which professionals can end up paying all damages in a court action because they are seen as having "deep pockets" to meet the claim.

If, for example, a company collapses because of fraud, the auditor may be sued for all the creditors' losses even if the directors were negligent and the fraudsters prosecuted.

As a result accountants claim legal costs amount to up to 8 per cent of their revenues and professionals fear that "catastrophic" claims could wipe out some businesses.

Mr Bruce Picking, technical director at the Institute of Chartered Accountants in England and Wales, said: "This must be good news." Having received the report, written by the Maastricht Accounting and Auditing Research Centre, the Commission will publish a consultative paper on the future of auditing within the EU this summer. At present several EU members already have proportionate liability.

Mr Picking said he did not expect Brussels to pick up the liability issue itself. Reform of liability is backed by the EU auditing profession.

There was widespread disappointment among UK professionals last year when the DTI published a report by the Law Commission which defended the existing law as providing protection for the victims of professional negligence.

The decision of the DTI to issue the report as a consultation document was seen as a signal that the issue was not closed – but that those professions affected needed to make a strong case for reform.

The accountancy profession in particular sees the present system as a threat to its viability as increasing litigation threatens to spread to the UK from the US – where recent federal law reforms have introduced proportionate liability.

Exchange steps up fight against insider trading

By John Gapper, Banking Editor

The news that the London Stock Exchange is to use artificial intelligence techniques to clamp down on insider trading in the City of London may have caused a few flutters yesterday. Yet it is still unproven that artificial intelligence can defeat the actual intelligence of City criminals.

The aim of the exchange's initiative is clear enough. It is to catch the most sophisticated forms of insider trading and market manipulation, which are hard to detect. These involve City professionals such as brokers and lawyers who trade in securities using privileged information.

Mr Richard Kilsby, the director of market services at the exchange, says it is currently far easier to catch odd cases of individuals dealing illegally than persistent criminality in the City. "This could give us the chance to trap the most complex cases of insider trading," Mr Kilsby says.

The exchange's problem in catching insider trading is not a lack of information, but the opposite. It employs analysts and investigators to examine most suspicious transactions, but its methods of identifying them have relied on humans interpreting a mass of data flooding in from daily trading.

The exchange uses software called Integrated Monitoring and Surveillance System (Imas) to analyse cases of, for example, a share price rising sharply before the announcement that a company is facing a takeover bid. However, most obvious movements are caused by speculation rather than illicit trading.

Most sophisticated insider trading or market manipulation does not cause such obvious price changes. An adviser trading for his own account before an announcement can do so well in advance of any price surge. He can also pass information to others with no obvious link to the company involved. This is where the exchange's initiative comes in. It has asked a company called SearchSpace, formed by eight former doctoral students from London University, to link artificial intelligence software to its Imas system. The software will analyse data in a different manner.

Instead of merely pointing out obvious price changes, this software will search for patterns in how individual firms and customers trade. It is able to detect links between different transactions that are not at all obvious, such as two people who have traded in a pattern over two years or more.

It uses different types of artificial intelligence first to identify patterns, and then to analyse more deeply whether the patterns have persisted over time. Its designers say it could identify, for example, a 15-man trading ring only half of whose members tend to trade illegally at any time.

This technique could also pinpoint patterns of manipulation of the market that also concern the exchange, although they do not involve insider trading. An example is the ramping of the share price of a company by a ring of people passing a parcel of shares around to simulate an active market.

The software, which should start working from August, could in theory have been linked in real-time into the Imas system, to produce alerts for potential malpractice. But in practice, Mr Kilsby and other officials have chosen to run it offline, so that it will back up the human analysis of data.

The key question is whether this will actually lead to an increase in convictions for insider trading. It has been very hard to secure such convictions, mainly because the burden of proof is high compared with the US. This is because it is a criminal offence in the UK, rather than a civil one.

This means that pure statistical analysis pointing to the strong likelihood of a link between two people trading in a pattern is not enough to secure a conviction. Investigators will still face the difficulty of persuading suspects to confess to being part of an illegal ring.

Of 1,000 cases investigated by the exchange last year, only 45 were passed on to other agencies for further inquiries. The artificial intelligence software may well help investigators to work productively by focussing on the most serious cases. It does not guarantee that convictions will result.

Tough search continues for millennium partner

By Christopher Price in London

With £1.6bn ($2.43bn) of National Lottery funds to hand out, the Millennium Commission is accustomed to rejecting projects from the public which do not make a feasible business case.

It is with a tinge of irony, therefore, that the commission finds itself rebuffed in the search for up to £300m and a commercial partner for its pet project, the millennium exhibition at Greenwich in south-east London.

Last week, the commission decided to give Sir Peter Levene – the government adviser who has been trying for three months to attract a leading private company for the £500m project – until the end of June to sign up a partner. The commission has also delayed its decision to approve £200m of lottery funds for the cause. Sir Peter, the former senior government official who masterminded the rescue of the Canary Wharf complex in London's Docklands, is head of the prime minister's efficiency unit.

Discussions are continuing with a number of interested companies. But those close to the talks say stumbling blocks remain about detailed financial information on the scheme, the long-term use of the 30ha site and the amount of the investment. "Companies are used to making commercial decisions on the basis of detailed knowledge of markets they know," said one adviser close to the talks. "This is a unique, one-off project and is financially very difficult to quantify."

With a potential funding gap of £300m, the list of companies willing to invest heavily in a project with a one-year pay-back and uncertain rewards is unlikely to be large. The commission had been hopeful of assembling a consortium to finance, build and operate the exhibition. However, Sir Peter is said to be keener on signing a single company to lead the development and to bring in other companies on a contractual basis.

British Telecommunications, British Airways, Virgin and BAA, the airports operator, have all been linked to the Greenwich project. While admitting to the difficulties of quantifying certain aspects of the Greenwich exhibition, the commission believes the business case is hardening as the plans grow in detail.

Imagination, the consultancy which won the contract to design the exhibition, has completed its final blueprint for the site. The exhibition will be based on the concept of time, with a giant sundial surrounded by 12 pavilions in the shape of an enormous clockface. Part of the Imagination plan also includes starting the celebrations in the regions in 1997, with the culmination at the Greenwich site three years later.

The commission estimates that between 10m and 20m visitors will visit the exhibition in the year 2000. An entrance fee would be charged, while additional revenues would be provided from catering, transportation, accommodation and other on-site entertainment provisions.

Sponsorship also provides a potentially lucrative revenue stream. The commission is keen to use the Olympics as a role model in this regard, pulling in funds for sponsorship but also generating additional funding through advertising by the sponsor of its involvement.

In order to bolster the commercial argument for Greenwich, the commission is considering asking the government to step in.

Such a move would prove controversial, with the government's stringent attitude to funding commercial ventures and with £200m of lottery money already promised. However, the commission is likely to argue that any input from the government, perhaps in the form of a guarantor of loans, would not necessarily involve the injection of extra public money.

The commission is also acutely aware of the embarrassment the cancellation, scaling down or transferring of the exhibition would cause.

Armed with more financial flexibility and more sophisticated plans, Sir Peter's powers of persuasion should be greatly strengthened. However, like everyone involved in the Greenwich exhibition, he is aware that time is fast running out.

THE NATIONAL LOTTERY

The 18-month-old National Lottery has added to the reputation of the British as a nation of gamblers. By the middle of last year the number of people playing the lottery had risen to 30m people a week – or 70 per cent of the adult population – even though the odds against winning the weekly top prize are about 14m-1. Prizes range from £10 ($15.20) to many millions.

Each ticket costs £1, of which more than 50 per cent goes towards prizes, 28 per cent to five "good causes", 12 per cent in state lottery tax and the rest to charities, retailers who sell tickets and the lottery operator. The licence to operate the lottery is held until 2001 by Camelot, a consortium consisting of Cadbury Schweppes, the UK food processing company; De La Rue, the banknote and security printer; ICL, the UK computer offshoot of Fujitsu; Racal, the electronics and communications group; and Gtech, the US lottery equipment manufacturer. So far almost £2bn has been raised by the lottery for the "good causes" of the arts, charities, national heritage, the millennium fund and sport.

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FT 1

Measuring the benefits of research spending is not an easy task, explains Vanessa Houlder

Intangible asset

R&D It is not what research departments spend, but what they spend it on, that counts. Once, R&D directors could take pride in the overall size of their research budget; now they are coming under pressure to assess the business value of individual projects.

In both public and private sectors, the idea that more research is necessarily better is no longer automatically accepted. A recent worldwide survey of 284 companies by SRI International, the consultancy, found no correlation between technology spending and financial performance.

Likewise, a study by the Imperial College Management School on behalf of the UK Department of Trade and Industry's innovation unit found that the financial performance of companies was not directly linked to R&D spending. Rather, it was the effectiveness with which companies converted their research into a stream of new products that enhanced the value of the company and was rewarded by the financial markets.

But trying to measure the benefits from research spending is fraught with difficulties. At a recent symposium about R&D evaluation organised by SmithKline Beecham, Luke Georghiou, head of the University of Manchester's science policy unit, pointed out that the potential for the evaluation of research has been recognised for some 40 years, but there has been little consensus about how best to do it. John Marriage, a consultant at PA Consulting Group, agrees. "Companies have found it far more difficult to measure the contribution of R&D to business performance than to measure most of the other functions in the value chain," he says.

The causes of the difficulties range from the delay between undertaking research and getting a return to the problem of assessing the contribution of the R&D division compared with that of manufacturing, marketing, sales and distribution.

That said, companies are often prepared to ignore the complexities in order to justify their research budgets. For example, ICI decided to evaluate the fruits of its research after a leading City analyst declared in front of a large and influential audience that ICI's investment in R&D had been "totally wasted". It believed it was vindicated after it looked at the percentage of ICI sales and profits that could be attributed to particular research projects over five, 10 and 15 years.

Some companies believe a detailed cost-benefit analysis is necessary to plan their investment in R&D

Some companies, however, take a more rigorous approach, believing that a detailed cost-benefit analysis is necessary for planning their investment in R&D. At its simplest, companies estimate the net present value of projects by predicting the future cash flow that will be generated by a particular piece of research.

But estimating the long-term returns from technology spending is not easy. The difficulty of putting forward a convincing case about future cash flows can dissuade companies from undertaking long-term research, in the view of SRI's Daniel Brousseau. Short-term orientation was found to be the most important strategic problem over the next three years, according to SRI's recent technology management survey.

This issue is a serious concern for those involved in allocating research funds. George Poste, R&D chairman of SmithKline Beecham, points out that innovation often happens over a long period and in a most unexpected way. He cites the five biggest classes of pharmaceutical products introduced in the past three decades, ranging from beta-blockers to recombinant vaccines. "All of these have been phenomenally successful. But all were denied as having commercial potential," he says.

Marriage argues that companies should try to make the risks involved in a project explicit, by estimating the uncertainties in its timing, outcome and the volume and value of the market at every stage of a development programme. The decision about whether to continue with the next phase of a development programme can then be analysed with a version of the option pricing theory used in the financial markets.

The case for option analysis is endorsed by Ed Lorch of Amersham International. He says that experts from the various functional areas in the company should be asked to supply the range of outcomes they think likely, rather than using a single forecast of income from a successful product. "Options are about leveraging technical and commercial uncertainty at minimum risk," he says.

But even a sophisticated financial analysis does not give the full story. Brousseau argues that companies should also look at how a project fits in with business plan goals: how it positions the company for the future and how it contributes to core competencies such as skills. Because it is so difficult to predict the future, SRI advocates "scenario planning", which conjures up a number of different futures and relevant technologies.

Georghiou also urges a broad approach. He says that by concentrating on numerical indicators, there is a danger that the less tangible benefits – such as the capacity of organisations to absorb new understanding – will be overlooked.

Research and development activities under way at SmithKline Beecham: innovation often happens over a long period and in a most unexpected way

and R&D undervalued.

When it comes to evaluating public research, the shortfalls of relying on purely financial measures are even more serious, in the view of participants at the SmithKline Beecham seminar. In part, this is because basic research has benefits that are particularly difficult to foresee.

The dangers of a simplistic approach to evaluation are obvious. Susan Cozzens of the National Science Foundation in the US compares mistakes in evaluating fundamental research with "the reverse law of alchemy". She says: "You can turn gold into lead by applying the wrong assessment system."

But despite the difficulties, there is a widely held view that the issue of research evaluation will not go away. Indeed, researchers may have more to gain than lose by demonstrating the potential of their work to the company's decision makers who are frequently ignorant about what is going on in their R&D divisions, according to John Buckley of PA Consulting. "If you don't know what is going on in there you have no qualms about cutting it," he says.

These articles continue a series which began on March 26.

A winning way with glass

Pilkington's R&D department has undergone a radical transformation, reports Stefan Wagstyl

Five years ago, scientists at Pilkington, the glass maker, would spend months making a new compound, mixing the ingredients in test tubes like medieval alchemists.

Now it takes only a few days and a computer to devise almost any new kind of glass. Instead of making about 350 experimental compounds while developing new products, researchers need only 10.

"Technological advances in the past five years have transformed research and development," says Sir Robin Nicholson, the company's research director and a former chief scientific adviser to the government.

Equally dramatic have been the changes in the company's management of its research and development effort. In the 1980s, executives had only a limited idea of how the scientists were spending the company's money. In the past five years, Pilkington has developed tough controls to try to ensure that R&D expenditure is closely tied to the company's commercial needs. Sir Robin says that the group, which invests £55m a year in R&D, would have to spend two or three times as much if it were still using the methods and organisation of five years ago.

The transformation of Pilkington's research efforts was prompted by a wide-ranging overhaul of the whole company in the early 1990s. In the 1980s a boom in glass markets had encouraged Pilkington to expand capacity and diversify. When the markets fell, the company was forced to cut costs and generate greater efficiencies.

In R&D the company had a global reputation, based on its invention of float glass manufacture, on which all modern glass plants are based. But executives recognised that research, spread mainly between the UK, Italy, Germany and the US, was often poorly co-ordinated. There was also too little connection between R&D and the company's needs in the market.

"It was 60 per cent blue sky research. Now blue sky accounts for a maximum of 20 per cent of research," says Roger Leverton, chief executive, who took over in 1992 and has been responsible for much of the drive to make Pilkington more cost-effective. Sir Robin agrees. "We had programmes that took eight years to complete. The market moved on and opportunities were lost."

To ensure that commercial considerations played a bigger role in R&D decision-making, the company set up a technology management board, chaired by Sir Robin, which includes marketing and production executives as well as R&D staff. The board supervises a central research laboratory at Lathom, in Lancashire, and the work of four business innovation groups covering Pilkington's main businesses – float glass manufacture, building products, auto glass and technical glasses.

The technology board meets monthly to review programmes and allocate spending. "Many companies fail to create a link between R&D and production and marketing," says Sir Robin. "They must be involved from the beginning."

'Many companies fail to create a link between research and development and production and marketing'

Pilkington restructured R&D operations to prevent duplication. It created centres of excellence – float glass making at Lathom and nearby St Helen's, where it was invented; coating of glass on the production line in Lancashire and in the US; off-line coating in Germany; auto glass in Germany and the US. With the help of restructuring and investment in new R&D technology, including computers for mathematical modelling, costs were cut. Overall R&D staffing was cut by almost half to about 700.

Pilkington started trying to measure the costs and benefits of R&D to demonstrate its role to staff, customers and shareholders. While calculating costs was easy enough, assessing benefits was difficult, says Sir Robin.

Sir Robin decided on a ready-reckoner approach, comparing a current year's R&D spending with that year's benefits, even though some of those benefits stem from previous years' R&D spending. He covers three kinds of benefit – cost savings, profits from new products and licensing income. In cost savings, one-off savings are included in full for a year, long-term savings are included for five years from inception. The gain from new products is covered by including the full gross profit from a new product for five years after its launch and a steadily declining amount for a further five years. Licensing income is the annual income from royalties from other manufacturers using Pilkington technology.

Since Sir Robin started counting in 1992-93, the returns from R&D have soared from just over £100m to more than £200m in 1995-96, while spending has barely kept pace with inflation.

The biggest gains have come from new products, notably the development of glasses with coatings deposited during the glass-making process. The most successful are glasses which reflect heat, designed for buildings and for vehicles. Films a few microns thick are deposited by chemical vapour deposition on the hot glass. The most recent development is mirror glass made by on-line coating, which Pilkington claims is the biggest advance in mirrors since the invention of the silver-backed mirror in the 1830s.

As well as raising the volume of new products, the laboratories have also increased the speed of development. Sir Robin says the company won a deal for a new type of heat-reflecting car glass called Galaxsee mainly on its ability to develop the product in less than a year.

"We could not have done that five years ago."

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FT Property

LAW

Equality ruling for widow

EUROPEAN COURT

In a departure from its earlier case law, the European Court of Justice ruled recently that *the widow of a* migrant worker could rely on European equal treatment rules in determining *her* rate of contribution to the state pension scheme of the member state in which her husband had been employed.

Mrs Cabanis-Issarte, a French national, was the surviving spouse of a Frenchman who lived and worked in the Netherlands from 1948-60 and between 1963 and his retirement in 1969, when they returned to France.

Mr Cabanis-Issarte died in 1977 and his wife was insured under the Dutch pension scheme from 1948-69. Between 1969 and his death in 1977, he received a married person's pension, but after his death, Mrs Cabanis-Issarte became entitled in her own right. However, the pension was reduced for the years when Mr Cabanis-Issarte was not insured under the Dutch scheme.

As a result, the Netherlands Social Insurance Bank proposed that Mrs Cabanis-Issarte should make voluntary contributions to cover the period from 1969, when she returned to France, to her 65th birthday in 1974. Under Dutch law the *rate of voluntary contributions* sought from her was higher *than for Dutch nationals.*

Mrs Cabanis-Issarte appealed *to the Amsterdam Social* Security Court. It found in her favour, relying on the European equal treatment provisions on the application of social security schemes to employed persons, self-employed persons and members of their families moving within the European Union.

The Social Insurance Bank appealed and the Higher Social Security Court, which was unsure of the application of European rules to her case, referred the issue to Luxembourg for a preliminary ruling.

The European Court examined in detail its earlier case law on the rights that members of a worker's family could claim under European law. Having observed that the relevant equal treatment rules did not draw a distinction between workers, members of workers' families or their surviving spouses, the court said any derogation from the fundamental rule of equal treatment *must be objectively justified.*

The court said it would run counter to the purpose and spirit of European rules on co-ordination of national social security laws to deprive the spouse or survivor of a migrant worker of the benefit of the application of the principle prohibiting discrimination in the calculation of old-age benefits. Had she remained in the host state, she would have been able to claim old-age benefits on the same conditions as nationals of that state.

The court rejected the arguments of the European Commission and of the Dutch, German, French, Austrian, and UK governments, that a distinction should be drawn between rights in person and derived rights. Thereby it departed from its earlier case law and held that Mrs Cabanis-Issarte's situation was covered by relevant European rules.

The Netherlands Social Insurance Bank and the governments of the intervening member-states submitted that the judgment would have serious consequences for the funding of social security schemes and that its temporal effect should therefore be limited.

No assessment, even in approximate terms, of the *financial consequences of the* ruling was given to the court. But *nonetheless it accepted* that overriding considerations of certainty precluded *legal situations* being called into question that had been definitively settled in accordance with previous case law.

Accordingly, the court ruled that its judgment could not be relied on in support of claims concerning benefits relating to periods prior to the date of delivery of the judgment, except by persons who had already initiated proceedings by that date.

C-308/93 Bestuur van de Sociale Verzekeringsbank v Cabanis-Issarte, ECJ FC, April 30 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Hafslund's new chief executive

For the last six years, Hans Tormod Hansen has advised energy companies on coping with deregulation, as a senior project manager for McKinsey's Scandinavian operations. Now he can put this into practice, as he takes over as chief executive of Hafslund, the Norwegian power producer, which has just set up on its own, following the demerger of Hafslund Nycomed.

Hafslund is the first Norwegian energy producer listed on the Oslo bourse, although *Norway's electricity* market was deregulated in 1991. The company is relatively small, producing 2.3 per cent of the country's energy needs. But Hansen sees it playing a key role in the rapid restructuring now under-way in the Nordic energy sector. "This market is in some respect more liberated than the energy market in England and Wales," says Hansen.

It seems one of Hansen's moves before he left McKinsey was to bring in Statoil, the big Norwegian oil producer, and Vattenfall, the dominant Swedish power producer, as owners. Statoil last week took a 12 per cent stake in Hafslund and Vattenfall a 10 per cent share. "This gives us the stability to become a vehicle in the reconstruction of the industry in Norway," Hansen declares. "Any threat to us of a takeover is now removed."

In the meantime, a more pressing *worry are Norway's light snowfalls* last winter, severely reducing river and dam levels, hitting hydro generators like Hafslund. Not much even a McKinsey star can do about that. *Hugh Carnegy*

Job moves at Asian Development Bank

The Asian Development Bank has appointed Maurice Bauche, its Canadian chief information officer, to run its new office in Frankfurt, which will open later this year. Selecting Germany for its European home seems a natural move; with 4.5 per cent of the bank's ordinary capital Germany is easily the ADB's largest European shareholder.

The ADB will use its European office more to cultivate relations with member governments and voluntary organisations than to monitor the international capital markets. Another function will be to promote co-financing in the private sector of development schemes for its Asian borrowers. More at home in this area is Rip Min, currently the ADB's South Korean deputy treasurer, who has played a prominent role in the bank's borrowing programme; he becomes head of the new Tokyo office. *Peter Montagnon*

Crabb hopes he can pinch some business

European office equipment suppliers will need to be on their toes, if recent performance by *Ian* Crabb, head of UK office equipment operations for Alco Standard, the US paper and office equipment distributor, is anything to go by.

Crabb, 37, (pictured) has spent three years building the UK business to its current turnover of around $300m. He has now been promoted to run Alco's office equipment division in Europe, under its new name of IKON Office Solutions. IKON is the smaller of Alco's two operating divisions, accounting for roughly 30 per cent of group turnover, expected to approach $12bn this year; the other is Unisource, the largest paper and imaging products supplier in north America. Alco entered the UK office equipment market in 1993, paying £45m for Erskine House Group, of which Crabb was then managing director.

The group already has operations in Germany, France and Denmark, and soon expects to be in *Italy* and *Spain*. With IKON's global turnover forecast to rise from $3bn in 1995 to $10bn within the next five years, further acquisitions are planned. "I've got a feeling I'm going to be catching an awful lot of aeroplanes," Crabb says. *Nim Caswell*

Rooney takes over at WMX Technologies

Phillip Rooney moves to the chief executive's chair at waste service conglomerate WMX Technologies this week, in a planned succession that may have been hastened by unhappy shareholders.

Rooney, 51, is unlikely dramatically to alter restructuring plans laid two years ago by company founder and current chief executive, Dean Buntrock. Rooney has been president and chief operating officer since 1984 – when the company was known as Waste Management – and a loyal soldier to Buntrock since 1969, when the *firm* was just a local rubbish handler. Buntrock stays on as chairman.

Major shareholders will nevertheless find the transition significant; the group, which has *$10bn* in *annual* revenues, has gone from being a 1980s high-flying Wall Street darling, into the dumps in the past five years. *Laurie Morse*

Compaq plugs itself into steel man

Earl Mason has been appointed chief financial officer and senior vice president of Compaq Computer; he will report to Eckhard Pfeiffer, chief executive. Mason, who most recently was chief financial officer of Inland Steel *Industries and* President of Inland International, the steelmaker's international marketing, *trading and distribution* arm, replaces Daryl White, who retires at the end of May, after 13 years.

Mason was also formerly group executive for worldwide manufacturing, manufacturing engineering and materials at Digital Equipment, and chief financial officer for Digital's European operations. Earlier, he was controller of AT&T's $14bn information systems business. *Paul Taylor*

ON THE MOVE

■ Yo Kurosawa is resigning from the presidency of the INDUSTRIAL BANK OF JAPAN to become its chairman, not an adviser as stated last week.

■ Robert Goldberg has resigned as president and chief opperating officer of MINDSCAPE. John Moore, chief executive, assumes his responsibilities.

■ Alfred Berkeley, *managing* director and senior banker of *the corporate finance* department of Alex Brown & Sons, *has been elected* president of the NASDAQ *STOCK MARKET.*

■ Rafael Gómez Perezagua, formerly president of CIVSA, Bami and CTI, has been appointed deputy chairman of BANCO ARABE ESPANOL, which specialises in financial services between the Arabic world and Spain.

■ Bo Ingmarsson, deputy chief executive and chief financial officer of Skanska, becomes a director on the board of SKANDIA, Sweden's biggest insurance group.

■ Ian Vose has been appointed president, chief executive and *chief investment officer of* London-based GFM INTERNATIONAL INVESTORS, the international investing arm of Metropolitan Life Insurance Company of New York. He replaces Stephen Bamford, who has resigned.

■ Ulf Brodd has been appointed president of the ESSELTE Asia Pacific division, succeeding Alan Wood, who was acting divisional president. Brodd was most recently head of Bensons, part of the Esselte Group.

■ Gernot Nerb, formerly chief *economist at the Ifo Economics* Institute, has been appointed *by SALOMON BROTHERS, as* a vice president in its *economic and market analysis* group based in Frankfurt.

■ *QUANTUM MAGNETICS*, the security technologies company, is opening a UK office; Bill Halkett, previously general manager for Thermedics Detection, has been appointed its head.

■ Masayuki Muneyuki, currently a senior managing director, has been appointed as president of FUJI PHOTO FILM. He replaces Minoru Ohnishi, who becomes chairman from late June.

■ Cathy Zoi, a former environment adviser to President Bill Clinton, has been *appointed by the NSW* Government as director of its *new SUSTAINABLE ENERGY* DEVELOPMENT AUTHORITY.

■ Joseph Wright, president and chief executive of Swiss Bank Corporation (Canada), is appointed a director of LOBLAW, Canada's biggest food distributor.

■ The glass division of the Swedish packaging group PLM, has made a number of senior appointments. In the UK operation PLM REDFEARN, managing director David Anderson takes over from Thomas Grau as head of the *glass division*; Grau will concentrate on developing *glass division strategy*. Chris Scholey, sales and marketing director, becomes managing director of PLM Redfearn. Nick Bird, marketing manager of PLM's glass division, becomes *PLM's* marketing director. Karl Pfenninger, managing director of PLM Münder (Germany), will also take responsibility for Poland.

■ Lawrence Irving, formerly vice president (finance) of Centennial Security Holdings, a privately held electronic security services firm, has been appointed vice-president (finance) at HOLMES PROTECTION GROUP.

■ Mike Bowlin, chairman & chief executive of Arco, the *Los-Angeles based energy* company, joins the board of *WELLS FARGO.*

■ Robert Hipps has resigned as senior vice president, finance and chief financial officer at NATIONAL SERVICE INDUSTRIES.

■ Jens Neumann, board member of Volkswagen, Georg Obermeier chairman of VIAG, and Hoechst board member Horst Waesche, have been appointed to the supervisory board of BHF-BANK.

■ Joe Cronin, president and chief executive of Saatchi & Saatchi advertising/Pacific, becomes vice *chairman of* SAATCHI & SAATCHI ADVERTISING WORLDWIDE. Gary Moss, formerly vice president of global advertising for the Campbell Soup Company, has joined Saatchi & Saatchi Advertising as executive vice president and worldwide account director.

■ Thomas McFadden has been appointed treasurer of CONRAIL of the US, succeeding Timothy O'Toole, who is promoted to senior vice president (finance). James McGeehan becomes corporate secretary, succeeding Allan Schimmel, who has retired.

■ Michael Mainelli has been appointed vice president, business development and assistant to the chairman of *STRYKER CORPORATION. He* joins from General Electric. *Christopher Homrich*, previously with Ingram Industries, becomes treasurer.

■ Alan Senter, executive vice president and chief financial officer of NYNEX is leaving in June. Frederic Salerno, Nynex vice chairman (finance and business development) takes over as chief financial officer until the merger with Bell Atlantic, when he will become *chief financial officer of the* new company.

■ Sal Naro, *senior managing* director and head of US *corporate trading, has been* appointed by BEAR STEARNS *as head of global corporate* debt trading. Gary McLoughlin, senior managing director for US Government trading becomes head of global sovereign debt trading. Tim Lea, managing director, becomes head of European corporate debt trading; Dino Cesario, also managing director, becomes head of European sovereign debt trading.

■ Randall Woods has been appointed by CORVAS INTERNATIONAL, the San Diego drug company as president and chief executive. He was formerly president of *US operations for Boehringer* Mannheim Pharmaceuticals.

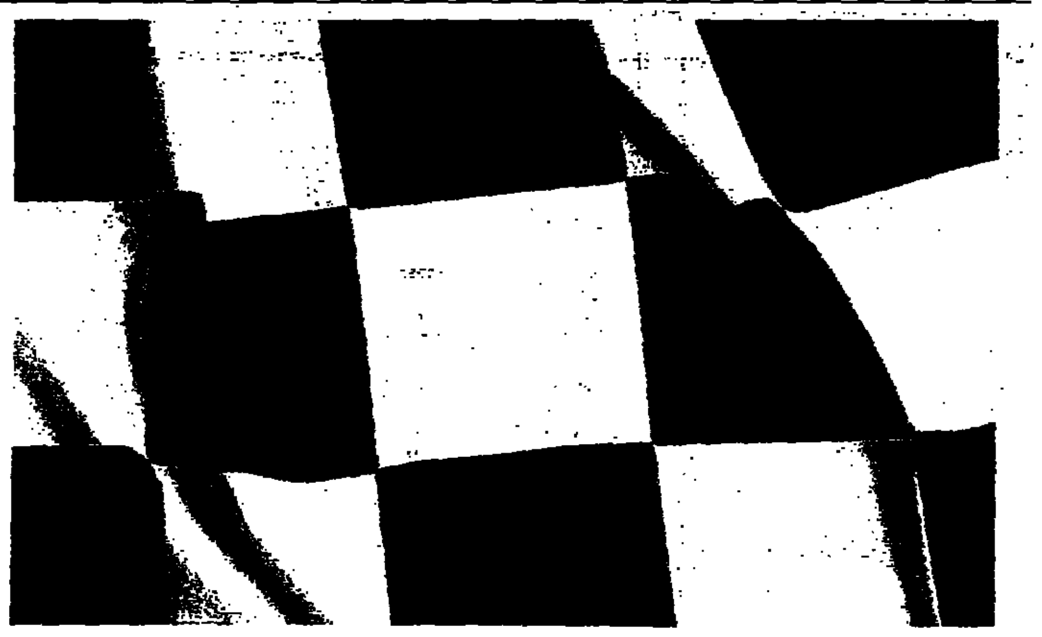
■ *Brian Halla, formerly* executive vice president of LSI *Logic Corporation, has been* appointed chairman, president and chief executive of NATIONAL SEMICONDUCTOR CORPORATION. Ellen *Hancock*, executive vice president and chief operating officer, has resigned.

■ Viswanathan Shankar has been appointed by BANK OF AMERICA as director of strategic marketing for the Asia Wholesale Banking Group, based in Hong Kong; he was previously head of the *Asia banking unit in Los* Angeles.

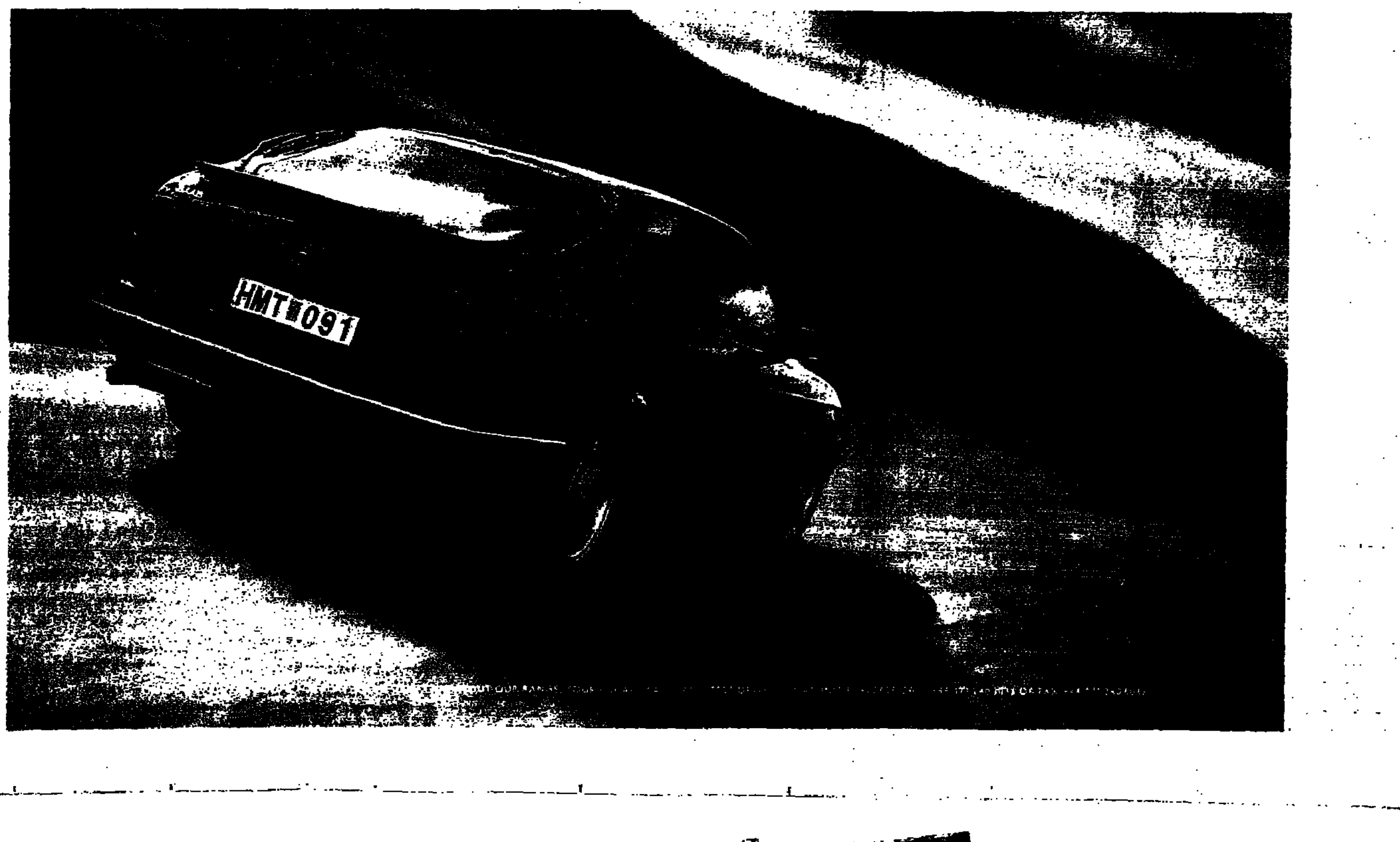
■ *Sterling Commerce and its* parent STERLING SOFTWARE, *have appointed* Jeannette Meier as executive vice president and chief financial officer, replacing George Ellis, who has resigned. Meier will continue in her role as executive vice president, secretary and general counsel of both companies.

International appointments

Please fax announcements of new appointments and *retirements* to +44 171 873 3926, marked for *International People*. Set fax to 'fine'.



The Saab Sensonic gives you the joy of a manual shift on the open road. Without the drag of a clutch in city traffic.



At Saab, we enjoy driving as much as you do. Particularly zipping through the gears on the open road. What we have never managed to enjoy is pumping the clutch in a traffic jam. So, inspired by Formula 1 racing cars, we developed the Saab Sensonic, an ingenious electro-hydraulic transmission system that eliminates the need for a clutch pedal but retains the gearshift. Which means you can get the action of a manual with the convenience of an automatic. (What you might call the best of both worlds.)

SAAB
beyond the conventional

Bricks – with different permutations

William Packer welcomes the opportunity to get to grips with the work of Carl André

Carl André stands among the most widely-known of modern artists on the strength of a single work, his "Equivalent VIII" of 1966, which the Tate acquired in 1972. No-one took much notice until, one slow-news day early in 1976, that noted critical journal of the arts, the business section of the Sunday Times, chose to attack the purchase, and by extension the Tate and all its modern works, on its front page. All hell broke loose.

Along with figures full of holes and eyes where the ears should be, Carl André's neatly arranged set of bricks remain a staple of the Modern Art Joke. Even now, for the vehement anti-modernist critic, Paul Johnson, whose recent targets have ranged from Poussin (can't paint) to Picasso (can't draw) and Cézanne (can neither paint nor draw), to call anyone "a brickie" is to say it all.

I was rather on the side of André and his bricks, and said so in these columns at the time, not because I thought him the definitive genius of the age – which he is not – but because he was an artist working seriously within the minimalist and theoretical aesthetic. If we accept that a significant part of the Tate's duty is to monitor current activity in painting, sculpture and allied trades, and to acquire representative examples on our behalf, then it was quite right to buy the bricks.

There is nothing in the review of his work now at Oxford's Museum of Modern Art to make me change my mind. If anything, it modifies some of the reservations I had then, and with his Whitechapel retrospective of 1978. Perhaps this show, smaller than at Whitechapel but with more years to cover – 1960-96 – is less stolidly repetitive, the materials more various, the variative inferences more lightly obvious. Perhaps it was the sight of a dutiful curator making minute examination of each rough-cut red-cedar log that perversely cheered me up (I still find it funny that each brick should have its numbered and foam-lined box). Certainly André's own earnestness of 20 years ago seems less oppressive.

That is not to say the ideas are not there, and this show offers an excellent opportunity to come to grips with what André is about. It is not set out chronologically, which confirms the long-standing thematic set of the work, the unkind might say its lack of development. Indeed several of the works are remakes of ones made long ago. The earliest here is not quite from the beginnings in André's obvious debt to Brancusi, but is one of the first of the modular structures, the remade "Convex Pyramid" (1959) – a pile of 74 ash bars, laid progressively criss-cross, from a cross base, all beautifully cut with half-butt joints.

But from this point even the simplest joint is abandoned. Whether it is to be of red-cedar logs, pristine bricks or metal tiles, all his sculpture will now rest upon the most basic structures and permutations. At its simplest, as in the "25 Cedar Scatter" (1992), 25 large cedar logs are, yes, scattered about the room. Or again, a roll of copper ribbon, "Copper Ribbon" (1969), unwinds across the floor. "Baucis" and "Philemon" (1982) are, by contrast, models of classical integrity, two identical cubic stacks of seven logs apiece, the only difference being that the one is laid with most of its members horizontal, the other mostly vertical. It is for us to worry out the further variations, which is half the point.

So back to The Bricks, not now in isolation but in the larger work of which they were always by inference a discrete part. Now called "Sand-Lime Instar" (1966/95), it has the 120 bricks of each "Equivalent", from I to VIII, laid either end to end or side by side, two bricks high. Thus the permutations are worked through – 2x3x20; 2x4x15; 2x5x12; 2x6x10 – and the forms they generate worked out.

The largest piece is even lower to the ground, latest of the metal-tile sculptures that André has been ordering since the 1960s. "6-Metal Fugue" (1995) has 1296 tiles set out in 36 subsidiary squares of 36 tiles apiece. Along one side, the first six squares are of single metals – aluminium, steel, copper, zinc, tin and lead. One rank into the system, and each square is chequered with that to the right, and so on through the whole lot until each has been set once with each of the others in a steady diagonal progression.

Obvious enough, but oddly satisfying too, and oddly sensuous in its attention to material and texture as we walk across it. And this is true of all the work, narrow and repetitive though the vision might be. The mistake is only to take it pompously, whether as Great Art or the Greater Rubbish. As art simply to engage the eye and tease the mind, it works very well. We should remember that minimalism and conceptualism were never the creatures of modernism, but have intrigued the aesthetical imagination for centuries. For as old Sir Thomas Browne wrote in the 1640s, "there is a musick wherever there is a harmony, order, or proportion; and thus far we may maintain 'the musick of the spheres': for those well-ordered motions, and regular paces, though they give no sound unto the ear, yet to the understanding they strike a note most full of harmony."

Carl André Sculptor 1996: Museum of Modern Art, 30 Pembroke Street, Oxford, until June 8. Sponsored by the Oxford University Press, and supported by the Henry Moore Foundation.

'Hamlet' in mosaic

Della Couling reviews Peter Brook's latest opus

After a long career in the theatre which led him early to the status of living legend, Peter Brook seems to have finally lost the plot. *Qui est là?* looks like the fag end of a series of international exercises which began brilliantly enough in 1985 with *Mahabharata*, had several more peaks, such as his 1990 *Tempest*, but took a downturn with *L'Homme qui*.

Qui est là? is not a Gallic knock-knock joke, but allegedly a celebration of theatre in general and directors in particular, all built around the Play of Plays: *Hamlet*. "We have tried to present a mosaic, in which the voice of Shakespeare and these great voices of the past resound together in the present," says Brook in the programme.

Seven actors, from Africa, Japan, Italy, Britain and France, stroll on to an acting space bare except for four chairs and some rich fabrics, and take turns to quote from the writings of Stanislavski, Meyerhold, Gordon Craig, Brecht, Artaud and Zeami, then gradually begin interspersing scenes from *Hamlet* – more or less in chronological order – setting into the various roles, to a percussion accompaniment (Mahmoud Tabriyi-Zadeh) from the side of the stage.

Wherever they are now, I am not sure the pantheon of theatrical greats would take kindly to being posthumously press-ganged into service in support of this exercise, and it does not say much for Brook's modesty.

French is the language mainly used – in the case of Bruce Myers, who plays Polonius and the Gravedigger, with Pythonesque overtones. At times the African and Japanese actors use their own language. The acting is definitely not top quality, to put it mildly. Given the standard of acting, the inclusion of extended extracts, such as Ophelia's mad scene (Giovanna Mezzogiorno), seems an inexcusable demand on the audience's patience.

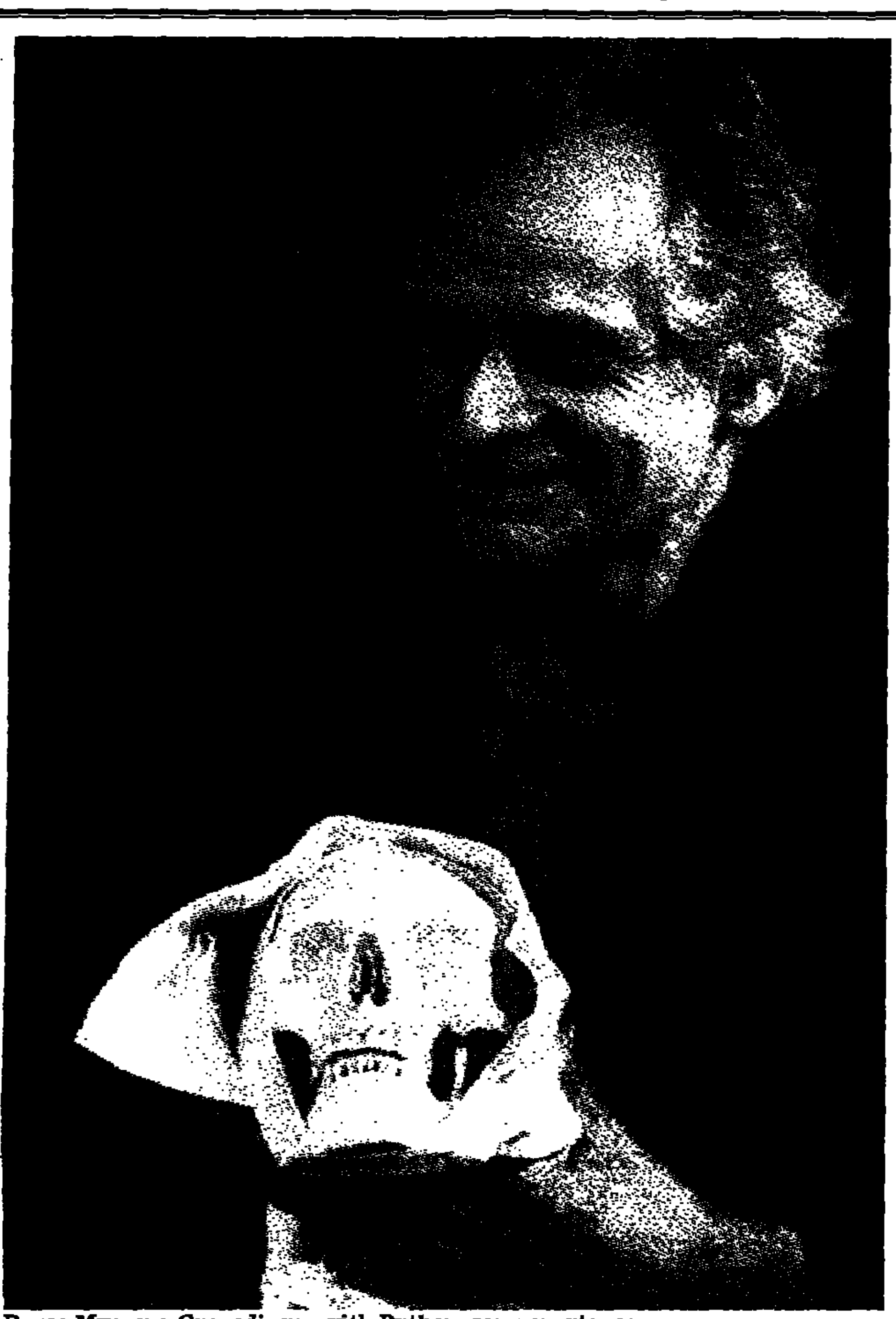
Since Laertes is excluded, the play extracts end with Gertrude's account of Ophelia's death – given after the scene with Hamlet, Horatio and the Gravedigger.

The Berlin audience sat there respectfully, laughed in all the right places and clapped politely at the end.

Is this really the end for Peter Brook too? Can he inflict any more of such scrapings on a captive audience politely willing to tolerate anything a living legend can throw at it.

Qui est là? is scheduled to visit the the UK. Perhaps a response less polite than that given by the hushed Berlin audience might be in order. "Nobody," for example.

"Qui est là?" is currently being staged at the Schaubühne, Berlin



Bruce Myers: a Gravedigger with Pythonesque overtones Gilles Abegg

Opera/Richard Fairman

Well-judged Mozart

While it is building up its energy for this year's Verdi festival, the Royal Opera is turning to lighter fare. Back in 1987 the company invested in a handsome production of Mozart's *Die Entführung aus dem Serail*, which has only had one revival since and by now was due for another.

The opera's comic charm never cloys, its music is pure delight. We never underestimate *Le nozze di Figaro* or *Don Giovanni*, but somehow *Die Entführung* always seems a minor piece and rather empty of inspiration until one is actually watching it in the theatre. Then every time it comes as a surprise to find one inventive musical number following another, and also how skilfully Mozart switches the mood to seriousness at the end.

Elijah Moshinsky's production is typically well-judged, neither looking for more significance than there really is nor allowing itself to become too sweet (although he might stop Osmin trying to make a joke out of tipping half the sugar bowl into his cup of coffee). Although it is not as beautiful as the *Samson et Dalila* on which he and the late Sidney Nolan had co-operated before, the stage glows under the sultry Turkish sky – both its burning mid-day sun and the cool, moon-lit nights.

All five singing principals are new this time round. It is usual to sit rather nervously before Konstanze comes on to sing the fearsomely difficult "Ach, ich liebte", but there was no cause for worry with Eva Mei. Her technique is equal to anything Mozart puts before her, though ironically she sounds more at ease dealing with the highest notes way up above the stave than she does lower down. The voice is brilliant as a diamond, but hard too. She uses it to chisel cleanly-etched vocal lines and sparkling coloratura, but her Konstanze never quite touches the heart.

As Belmonte, Kurt Streit is that rare find – a tall tenor. He looks aristocratic and to some degree sounds it as well, as he is a sure Mozart stylist. One of the best moments of the evening is the Act 2 quartet, as he and Mei blend to near perfection with their two servants. Inger Dam-Jensen's Blonde is a delight, sung with wit and grace, the most touching character on the stage. Peter Bronder works too hard to establish Pedrillo as a cheeky little fellow and gives the lie to that persona by producing sturdy top A's in "Frisch zum Kampfe".

Good and evil are nicely contrasted with Oliver Tobias's quietly-spoken Pasha Selim (a non-singing role) and Kurt Rydl's energetic Osmin, far from the usual lazy, good-for-nothing. In this opera Mozart's music has the capacity to put across a humanist message and Colin Davis takes advantage of that to the full, drawing heart-felt playing from the orchestra in the lovers' final duet. One small point: somebody needs to tidy up the article in the programme which promises us four arias from Belmonte and Konstanze's two great arias back-to-back in Act 2, the text of the opera that people know from modern recordings. The Royal Opera's version is rather different.

Performances until June 1.

Jazz/Garry Booth

Grande dame of hep

In the centre of the celebrated "A Great Day In Harlem" photograph of jazz luminaries, shot in 1958, a young white woman in a summer dress stands chatting to Mary Lou Williams. Beside her, against the brownstone is Oscar Pettiford; Thelonious Monk is to her left, Count Basie is squatting on the sidewalk.

The 28-year-old woman is pianist Marian McPartland, then a hep 52nd Street insider and today, thanks to her long-running show on National Public Radio, one of the US's best known names in jazz: which is not bad for a middle-class gel from Windsor.

As a jazz-obsessed teenager, Marian infuriated her parents by throwing in a place at the London Guildhall for a job as one quarter of a four piano vaudeville act. When war broke out she joined ENSA and later transferred to USO, the GI's equivalent where, playing for the 1st Army, she met and married top Dixie cornettist Jimmy McPartland.

Ignoring the three strikes against her of being, "English, white and a woman", as critic Leonard Feather put it at the time, Marian formed a trio which turned a two week engagement at 52nd Street's Hickory House into a ten year residency broken only by touring and guest spots on TV's *Tonight* show.

But for 18 years the pianist's elegantly swinging lines have been heard on 250 stations across the US, in *Marian McPartland's Piano Jazz*. The list of musicians with whom she has played on the show reads like a roll call of the great and good: Eubie Blake, Dizzy Gillespie, Oscar Peterson, the entire Marsalis clan. Few guests have managed to faze her: she stemmed avant-gardist Cecil Taylor's torrential flow "by sticking in some phrases of my own". An early broadcast of Marian alongside Bill Evans, made in Baldwin's piano showroom on 7th Avenue has become a collectors' item.

All of this extraordinary experience comes together in concert as McPartland skips delicately through a heady selection of standards, originals and curious personal favourites. At John Dankworth's Wavendon Stables, as part of a short tour which takes in the Bath Festival, the London Guildhall and the Wigmore Hall, the repertoire was characteristically eclectic. A frilly, nimble reading of Kern's "I'm Old Fashioned" gave way to Ornette Coleman's "Turnaround", treated as a stuttering blues. Another Kern tune, "All The Things You Are", started out as a two-handed lesson in counterpoint and settled down to an exercise in stride: the McPartland original "In the Days Of Our Love" was a smokily poignant ballad to weep for.

It is probably too late to lure her back permanently, but couldn't the BBC do a deal with National Public Radio to import the best of *Piano Jazz*?

Marian McPartland plays the Wigmore Hall tonight.

ENO to stay at the Coliseum

Fears that London's two leading opera houses, Covent Garden and the Coliseum, might both be closed at the same time for re-building in the late 1990s, evaporated yesterday when the English National Opera announced that it would be staying at the Coliseum for at least five, perhaps seven, more years.

Its long term future is still undecided. The findings of a £1m feasibility study as to whether it should remain in a refurbished Coliseum or depart to a new lottery-financed London site, will be delivered to the board in two months time, and a decision made soon after. A purpose built opera house seems attractive to the management but this would probably not be ready until around 2002.

General director Dennis Marks was in bullish form when announcing the 1996-97 season yesterday. He has just had his contract extended for five years, until the millennium. He reported a small surplus in 1995-96 and a rise in audiences for the third successive year, to 79 per cent of capacity.

There will seven new productions in the season starting on September 12 with a Jonathan Miller production of *La traviata*, and continuing with the first British production of Zimmermann's massive 1958 anti-war opera, *Die Soldaten*, directed by David Freeman, conducted by Elgar Howarth.

The next new production is Rossini's *The Italian Girl in Algiers* with Howard Davies making his ENO debut as director and Sally Burgess in the lead role. There will also be a new production of *Orpheus and Eurydice* by Gluck with Lesley Garrett; Berlioz's *The Damnation of Faust*, re-uniting Mark Elder as conductor and David Alden as director; the Mark Morris version of Handel's *L'allegro*; and for the annual première of a new opera, *Doctor Ox's Experiment* by Gavin Bryars.

The ENO's new music director Paul Daniel will not be making his presence felt next season in the pit – he is, strangely, not conducting at the ENO – but he will open the 1997-98 season in a new production of *The Flying Dutchman* starring Willard White.

The ENO will make way for two dance seasons at the Coliseum, with the Kirov coming in over Christmas. The ENO's attempt to develop a popular Christmas opera with *La Belle Vivette* was not a success, with the production recording the worst box office receipts of 1995-96 of 53 per cent. Top was *Carmen* with 97 per cent. The top seat prices in the stalls and dress circle will rise by £3, giving a weekday top price of £50. A half of all seats will be held at 1995-96 prices or lower.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● Munch and After or The Obstinacy of Painters: exhibition showing a selection of late work by Edvard Munch (1863-1944) in combination with work by several contemporary artists who have either expressed great admiration for him or whose work expresses influences from Munch. The display includes some 35 paintings and 20 drawings by Munch as well as 60 works by artists such as Karel Appel, E.W. Nay, Arnulf Rainer, Joseph Beuys, Jannis Kounellis, Georg Baselitz, Gerhard Richter, Markus Lüpertz, Jakob Weidemann, Per Kirkeby, Günther Förg and Dominico Bianchi; to Jun 9

■ BERLIN

OPERA
Komische Oper Tel: 49-30-202600
● Les Contes d'Hoffmann: by Offenbach. Conducted by Sebastian Weigle and performed by the Komische Oper. Soloists include Hesse, De Loa, Korondi and Nicolescu; 7pm; May 23

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Staatskapelle Weimar: with conductor George Alexander Albrecht and pianist Chia Chou perform works by R. Schumann, Liszt and Rachmaninov; 8pm; May 22

■ COPENHAGEN

CONCERT
Tivoli Concert Hall
Tel: 45-33 15 10 01
● Tokyo Symphony Orchestra: with conductor Naoto Otomo perform works by Strauss, Nyshimura and Nielsen; 6.30pm; May 22

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Belshazzar: by Handel. Conducted by Jörg-Peter Weigle and performed by the Sächsische Staatsoper Dresden. Soloists include Claudia Kunz, Iris Vermillion, Jochen Kowalski and Günter Neumann; 7pm; May 22

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711888
● The Irish Chamber Orchestra: with conductor Nicholas Kremer and pianist Davide Franceschetti perform works by Haydn, Beethoven and Elgar; 8pm; May 23

■ EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-5568921
● Awash in Colour: Great American Watercolours from the Museum of Fine Arts, Boston: this exhibition presents a collection of over 50 watercolours, selected from the holdings of the Museum of Fine Arts in Boston. The display includes works by Winslow Homer, Edward Hopper, Georgia O'Keeffe and John Singer Sargent; to Jul 14

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Nelson Goerner: the pianist performs works by Bartók, Beethoven, Brahms and Liszt; 8pm; May 22

■ GLASGOW

OPERA
Theatre Royal Glasgow
Tel: 44-141-3323321
● La Traviata: by Verdi. Conducted by Richard Armstrong and performed by the Scottish Opera. Soloists include Claire Rutter and Paul Charles; 7.15pm; May 25, 22

■ HOUSTON

EXHIBITION
The Menil Collection
Tel: 1-713-525-9400
● Georges Rouault: exhibition of works by Georges Rouault including 75 paintings, works on paper, and objects drawn primarily from The Menil Collection holdings; to Aug 18

■ LONDON

AUCTION
Bonhams Tel: 44-171-3933900
● The Adams Collection, Part III: the third of a series of five sales featuring the Adams Collection, created by Sylvia Phyllis Adams. The collection includes 18th-century furniture, sculptures and objects d'art - bronzes, plaquettes and maiolica; 6pm; May 22
CONCERT
Wigmore Hall Tel: 44-171-9352141
● Dmitri Hvorostovsky: accompanied by pianist Mikhail Arkadiev. The baritone performs songs by Tchaikovsky, Mahler and Sviridov; 7.30pm; May 23
● Thomas Allen: accompanied by pianist Malcolm Martineau. The baritone performs songs by Mozart, Beethoven, Schubert, R. Schumann, Brahms, Wolf and Mahler; 6pm; May 22
DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Birmingham Royal Ballet: perform Balanchine's Theme and Variations to music by Tchaikovsky and Agon to music by Stravinsky, and Bintley's Still Life at the Penguin Café to music by Jeffes. Soloists include Sabrina Lenzi, Kervin O'Hare, Monica Zamora and Joseph Cipolla; 7.30pm; May 23
OPERA
London Coliseum
Tel: 44-171-8360111
● Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; 7.30pm; May 23

■ LYON

CONCERT
Opéra de Lyon Tel: 33-72 00 45 00
● Orchestre du Conservatoire National Supérieur de Musique de Lyon: with conductor Kent Nagano perform works by Mahler and Amy; 8.30pm; May 23

■ NEW YORK

EXHIBITION
The Jewish Museum
Tel: 1-212-423-3200
● Marc Chagall 1907-1917: this exhibition of paintings, gouaches and drawings provides an overview of Marc Chagall's early career and the decade during which his aesthetic language and attitude were formed; to Aug 4

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Huseyin Sermet, Marc Desmon, Antoine Lederlin, Laurent Naouri, Renaud Capuçon and Virginne Buscail: the pianist, viola-player, cellist, baritone and violinists perform works by Alkan, Lalo, Saint-Saëns, Hersant, Bacri, Sacré and Zygel; 8.30pm; May 23
EXHIBITION
Musée d'Orsay
Tel: 33-1 40 49 48 14
● Menzel (1815-1905), 'la névrose du vrai': retrospective exhibition devoted to the work of the German impressionist painter Adolph Menzel. The exhibition, organised in cooperation with the National Gallery in Washington and the Stiftung Preussischer Kulturbesitz in Berlin, comprises 47 paintings and 95 drawings; to Jul 28

■ SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art
Tel: 1-415-357-4000
● Cut, Cast, Assemble: Contemporary Sculpture from the Permanent Collection: exhibition of 16 large-scale sculptures from the museum's collection, including works by Alexander Calder, Richard Deacon, Luciano Fabro, Barbara Hepworth, Henry Moore and Louise Nevelson; to Jun 30

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Scampa Quartet: with violinist Christian Altenburger and pianist Melvyn Tan perform works by Beethoven and Chausson; 7.30pm; May 22

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● The Kennedy Center Opera House Orchestra: with conductor Kay Cameron and jazz pianist Cy Coleman present a salute to America's Broadway composers; 7.30pm; May 22

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WORLD SERVICE

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

A shadowy spectre of error

The conditions are in place for UK policymaking mistakes, warns Robert Chote

A general election is looming, a stock adjustment is in full swing and official statistics are providing a confusing and untrustworthy guide to the state of the economy. All the necessary conditions are therefore in place to encourage the sorts of errors for which British economic policymaking has long been famous: too much, too late or too little, too late.

In last week's Inflation Report, the Bank of England sought to remind Mr Kenneth Clarke, the chancellor, of the dangers of relaxing policy too far. "It was precisely at this juncture – with apparent short-term weakness in some sectors masking signs of more buoyant future activity – that policy mistakes tended to be made in the past," it said.

But, with frustrating humility, the Bank did not accompany this warning with any firm advice on the present level of interest rates. It forecast that without a change in interest rates inflation would fall in the short term, but was "marginally more likely than not" to be back above the government's 2½-per-cent-or-below target in two years.

The Bank concluded that "the appropriate response depends on how the short-term downside risks evolve over the next few months". These risks are that economic growth might stall in the face of weak export demand or that companies might halt production to shift unsold goods from their storeroom shelves.

Characteristically, the Bank fears the chancellor might see these short-term dangers as a green light for a further relaxation that might later be regretted. But other economists believe the dangers lie in the opposite direction – that the chancellor is needlessly restraining demand because he lacks confidence in the impact of the structural reforms undertaken in the 1980s.

In theory things should be clearer on Thursday when the Office for National Statistics publishes fresh estimates of national output and spending. The Bank and Treasury gauge inflationary pressure in part by comparing the level of economic activity with its "potential" and growth in activity with its long-term trend.

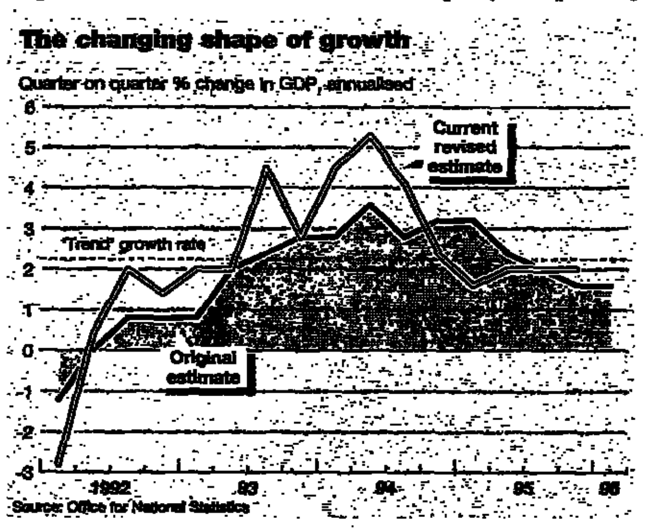
Last month the statisticians provisionally estimated that the non-oil economy grew at a rate equivalent to 1.6 per cent a year in the first quarter, a rate weak enough on past evidence to intensify the deflationary forces in the economy. Unfortunately, if history is anything to go by, the safest conclusion to draw is that the economy grew by anything *but* 1.6 per cent in the quarter. The statisticians have subsequently changed their minds about 13 of the 16 provisional quarterly growth figures they have published since the start of 1992.

These changes can be significant – as Mr Clarke well knows. In April last year the statisticians told him that the non-oil economy had expanded at an annualised rate of 3.2 per cent in the first quarter – well above the 2 per cent to 2¼ per cent consistent in the long run with stable inflation. The Bank told him to raise interest rates, but he refused and has subsequently been vindicated as the growth estimate has been more than halved to 1.2 per cent.

Given this record, it is unlikely that the statisticians' first assessment of how "the short-term downside risks evolve over the next few months" will be one they stick with. By the time it is clear whether any slowdown is going to endure or quickly reverse, valuable time may have been lost before policymakers can confidently respond.

The changing shape of growth

Quarter-on-quarter % change in GDP, annualised



Source: Office for National Statistics

Assessing past and prospective growth is made more difficult by companies' efforts to reduce stocks. The statisticians have already conceded that they overrecorded factory output when they calculated the economy's first-quarter growth last month, because they overestimated how many goods businesses would stockpile.

As a result, manufacturing is technically in recession, having recorded two successive quarterly falls in output. But the more aggressively companies tackle excess stocks, the sooner output will rebound. The statisticians publish their latest stockbuilding estimates on Thursday, but they freely admit that they have to be taken with a big pinch of salt.

Meanwhile, the Bank of England is worried that its ability to give sensible advice on interest rates is being constrained by a lack of timely information about the service sector, which has continued to expand strongly as manufacturing has stalled. The service sector provides two-thirds of the economy's output, but the Office for National Statistics has been forced to abandon plans for a monthly index of service sector activity because it cannot find the money.

"If we do not have accurate information on the state of the economy, we cannot hope to have effective policy management except by exceptionally good luck," argues Mr Richard Jeffrey, economist at Charterhouse Bank. "Even now, it may be that official data are underestimating the strength of consumer demand, thereby lulling the authorities into a false sense of security."

Consumer spending remains the key uncertainty with which the authorities have to grapple. Tax cuts and low inflation mean that even modest average earnings growth is now translating into significant year-on-year increases in real take-home pay. Even if the impact of "windfalls" from building society reorganisation and the like is slight, this could lend powerful momentum to high street spending.

Nervousness among Bank and Treasury officials has been heightened by above-target money supply growth. Mr Peter Warburton of Flemings Research describes their mood as "like that of a victim in an Alfred Hitchcock movie: something is moving in the shadows and they suspect that a big shock lies ahead".

Mr Warburton himself is not to be unnerved. He concludes from the fact that money supply growth is being driven by the wholesale deposits of companies and financial institutions – rather than bank and building society deposits held by individuals – that "there is little evidence to suggest that the consumer is about to embark on a spending spree".

The looming general election meanwhile puts temptation in the government's path. There is little sign of the sort of splurge which preceded the last election, in which the prime minister funded everything from ground-to-air missile systems to the preservation of the red squirrel. But public spending is still above target and promises of post-election prudence are cheap.

Analysts can also only guess how the approach of polling day – and the Budget – will affect what individuals and companies choose to spend.

Setting interest rates to take account of what activity and inflation will be doing over the next two years always involves a complex balancing of risks. But the electoral timetable, fickle consumers, dodgy data and stock cycles at home and abroad are making the task today all the more difficult.

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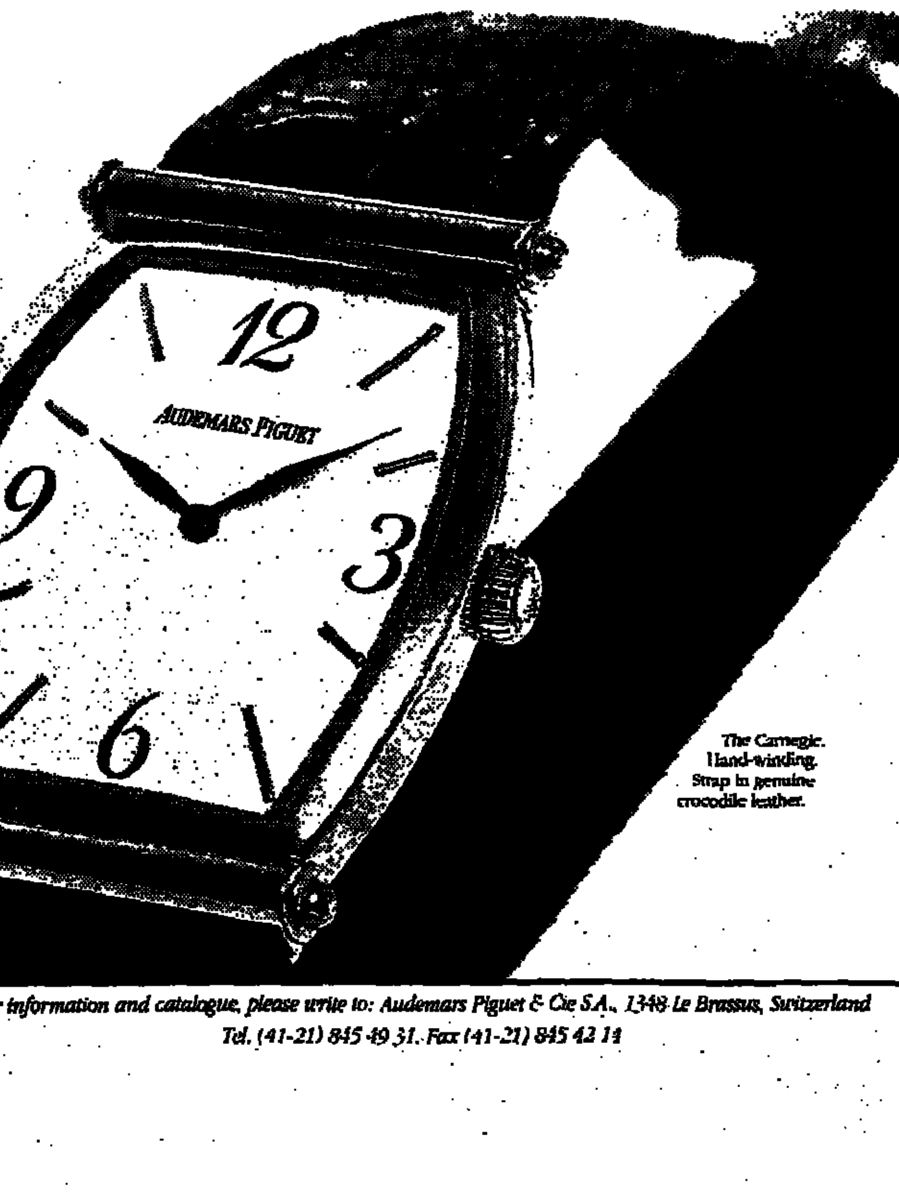

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Wind energy not good use of taxpayers' money

From Mr Colin Humphrey.

Sir, Mr Peter Heilmann (Letters, March 15) extols non-nuclear renewable energy and suggests that we put taxpayers' money to good use by investing in it. He says that wind energy is virtually non-polluting. Surely nobody who has seen the armies of 200-foot monsters on the beautiful moorlands of mid-Wales and elsewhere can truthfully say that. They also proliferate high-voltage overhead lines in rural areas.

Why should the taxpayer pay when the electricity consumer is already paying? Wind energy is costly because the wind often does not blow. The regional electricity companies now pay the wind-farm developers 50 per cent more than they pay for electricity from the electricity pool (4.3p compared to 2.8p/kWh) and the cost is recovered through the renewables levy, which adds 10 per cent to the final price of all electricity to all consumers. Moreover, because of the unreliability of wind energy the capacity has to be duplicated in conventional power stations. So we pay twice.

This is a strange policy for a free market government. The greed for wind-farm subsidies has brought out the worst in developers and landowners; and local authorities, whose planning consent is needed, appear scarcely competent to judge this complex issue.

Colin Humphrey,
Wyddol,
Bwlch y Garreg,
Caersws,
Powys SY17 5NE, UK

Fed up with government behaviour that reaches beyond UK borders

From Mr Henric van Weelden.

Sir, Your article "Premier's behaviour baffles and astounds", May 17) was a delight. I believe I am speaking for many when I say that the rest of the European Union is totally fed up with the behaviour of the British government. If it continues to behave like an unruly, irresponsible child and does not get thrown out of office, then maybe the other member states should hold a referendum on whether they want Britain inside or outside the Union.

Unfortunately, today's reality in Europe means that the havoc created by a rudderless Tory government reaches way beyond the borders of a very poorly served country. Or, to put it less mildly, the British government is playing with my future and the future of my continent.

Henric J. van Weelden,
PO Box 15597,
1001 NB Amsterdam,
Netherlands

Aviation interests should be discussed on EU-wide basis

From Mr Graham Allen MP.

Sir, Sir Christopher Chataway, the retiring Civil Aviation Authority chief, is right to tread carefully on the thorny question of EU competence in aviation ("Safety first in the skies", May 13). Certain areas are more amenable to harmonisation than others. At one extreme are landing rights and slot allocation which are and will be jealously guarded by the UK.

However, safety is one area where progress would be in Europe's and the UK's mutual interest. The inspection of foreign-registered aircraft cries out to be examined by the EU as an umbrella organisation that would help protect European states from reprisals. Airworthiness, maintenance and flight-time limitation might also prove fruitful areas.

Before rushing to bolster the Joint Aviation Authority, which covers more countries than the EU and is of obscure legitimacy, Britain might discuss with its European partners what is and what is not appropriate to be dealt with in aviation on a European Union basis.

Graham Allen,
shadow minister for transport,
Room 506, 7 Millbank,
London SW1P 3JA, UK

Increase in dividend is just fine

From Mr J.T. Reddihough.

Sir, So big business is bashing the little investor again ("Sniping over the share slugs starts up again", May 13).

Of course the same dividend paid on an increased number of shares represents an increase in dividend if the shares are bought at a discount.

And what is wrong with an increase in dividend, pray?

J.T. Reddihough,
Villa Tamara,
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1009 Pully-Lausanne,
Switzerland

A laboured defence of the indefensible

From Mr Gary M. Gillman.

Sir, Reading Craig Raine's somewhat laboured defence of T.S. Eliot against the charge of anti-Semitism ("T.S. Eliot: guilty by association?", May 18/19), I was reminded of the following statement by Charles A. Fecher in his introduction to The Diary of H.L. Mencken (1989) apropos the anti-Semitism of Mencken: "Mencken rose above many – even most – of the common prejudices and stereotypes of his day, and ought to have been able to rise above this one too. When all is said and done, there probably is no defence."

George Orwell was one of the very few non-Jewish writers of his time actively to raise his voice against the irrational animus against the Jewish people then widely held in Anglo-American society. Eliot could have applied his eloquence and prestige towards the same end, but chose not to; on the contrary.

Gary M. Gillman,
barrister and solicitor
181 University Avenue,
Toronto, Ontario M5H 3M7,
Canada

Curious argument by a standard-bearer for the Tory right

From Mr P.G. Hirsch.

Sir, In challenging that benefits would flow from a single currency through lower exchange risks and costs, John Redwood states ("European Union: angel or demon?", May 16): "Moving money around the EU would still have a cost. Banks charge more for money transmission than for switching currencies." That last statement is simply wrong. Foreign exchange losses are the dominant cost whether spending £50 abroad with a credit card (where the foreign exchange cost is £1 to £2 and the transaction fee is zero) or sending £10,000 by urgent transfer (where the foreign exchange loss is more than £100 and the transmission cost is about £30).

Mr Redwood goes on to say: "They [the banks] might try to replace some of the lost foreign exchange commission with higher transmission charges", suggesting that he has little confidence in market forces or competition. On this evidence he has no faith in capitalism and a weak grasp of facts, which makes it curious that he should be the standard-bearer of the Tory right.

P.G. Hirsch,
managing director,
Retail Banking Research,
15 Hanover Square,
London W1R 9AJ, UK

From Mr C. Nigel Thompson.

Sir, Like Sir Leon Brittan, I believe Britain's future lies in Europe ("European Union: angel or demon?"). However, I can understand people's concern when, addressing the issue of whether a European superstate will evolve, he says: "But the reality is that it is not going to happen because that is not what European leaders or people want."

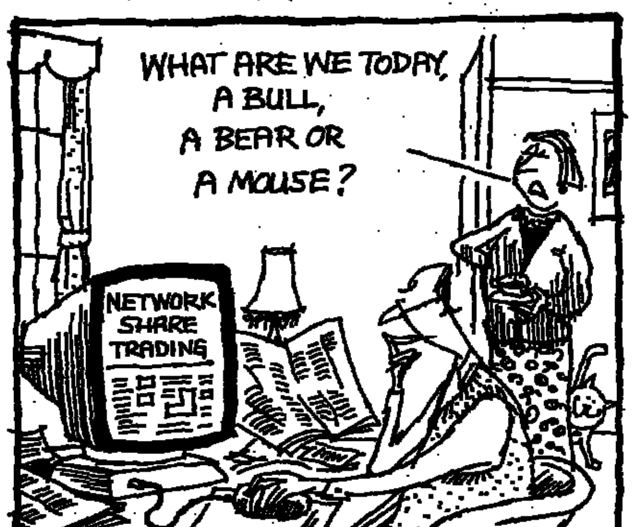
Are not the leaders elected at the will of the people?

C. Nigel Thompson,
108 Lawrence Drive,
Berkeley Heights,
New Jersey 07922, US

Lisa Bransten on the growing popularity of online trading in the US

Share deals in cyberspace

Mr William Porter still remembers the first time a private investor initiated a share deal online. On July 11, 1983 a doctor in Minnesota used his personal computer to send an order to a broking house in San Francisco using software developed by E-Trade, which Mr Porter founded in 1982 to provide online systems to brokerages.



The technology was clumsy and slow, but Mr Porter – who retired as E-Trade's chief executive this year – says it got the job done. Even so, most consumers continued to insist on telephoning brokers and made little use of online trading.

But the advance of technology and growing use of the Internet are spurring online trading in ways some observers think could revolutionise the brokerage industry.

Already the major discount brokerage houses are paying attention to the crop of smaller cyberspace brokers offering Internet share trading. Charles Schwab, the largest discount broker in the US with 3.6m customers, launched Internet trading yesterday.

Mr Steven Wallman, a member of the Securities and Exchange Commission, the government body that regulates the industry, likens the rise of Internet share trading to the growth of the discount brokerage industry in the 1980s. That changed the Wall Street landscape for small investors by allowing them to make trades without paying for advice they did not want.

Electronic brokerages mean that investors have access to account information 24 hours a day and often pay substantially lower trading fees even than those charged by the discount brokerages.

The technology "allows people to create cyber-brokerages that will be able to do what the major brokerage houses do – but at a lower cost because the infrastructure will be that much less," Mr Wallman says.

E-Trade – which formed its own electronic brokerage, E-Trade Securities, in 1991 – is recognised as the first purely electronic brokerage. Other pioneers in the world of online investing are TransTerra, an Omaha, Nebraska-based holding company for six discount brokerages offering traditional and online trading, and Lombard Institutional Brokerage, a San Francisco group offering primarily online trading.

These groups offer trades for as little as a flat fee of $12, compared with $55 for the first 100 shares through a Schwab broker. Schwab's electronic service, which allows only one phone call a month, costs $39 a trade.

Recent growth in these businesses and the popularity of Internet-related stocks have led executives at E-Trade and Lombard to consider floating their own shares. Earlier this month, E-Trade filed papers informing the SEC that it planned to register for an initial public offering of its stock by the end of next month. Mr Eric Roach, founder and chief executive of Lombard, says he is considering an offering by the year-end.

"We have had numerous (investment) banks come after us (about an offering) because we have a very compelling Internet story, and we are one of the few companies on the Internet that's actually making money," he says.

Online trading – let alone Internet trading – is still in its infancy, however. Forrester Research, a technology research and consulting group, estimates that there will be 800,000 online brokerage accounts by the end of this year, a fraction of the total given that an estimated 51m people in the US own shares.

One factor holding people back is fear of fraud. Although there have been few reports of security breaches, investors are concerned about putting data as sensitive as share-trading activity on the Internet.

But the biggest threat to these small brokerages is the competition they will face from Schwab and other big discount brokers whose names are well known, which have deep enough pockets to finance investment in technology and a proven ability to execute tens of thousands of trades a day.

"I would expect that, when the dust settles, the leader in the provision of online services will be Schwab," says Mr Guy Moszowski who follows the securities industry for Sanford Bernstein, the Wall Street investment bank. "What is it that these guys bring to the table that Schwab can't already bring?"

That is not to say that there is no room for the electronic-only brokerages. Pessimists who predicted that the emergence of discount brokerages would wipe out the full service houses were wrong, but the discounters have grown to represent a 15 per cent share of commission revenues, says the Securities Industry Association.

Mr Eric J. Johnson, who heads a forum on electronic commerce at the Wharton business school, believes there is business out there for the small brokerages. "I don't think my mother's going to start trading over her IBM PC, but clearly there is a huge opportunity and there is a segment that can be serviced more efficiently."

The smaller firms believe that the head start they have in software development and their loyal, albeit small, customer bases will allow them to carve out a niche among investors hoping to save time and money by working through the computer. They recognise, however that they will have to fight for that market share.

TransTerra, for example, processes about 5,000 trades a day across all of its brokerages, about 20 per cent of them over the Internet. Schwab handles about 84,000 trades a day, about 16 per cent over PCs, but until yesterday its Internet service was only available to a few customers on an experimental basis.

"We are still at David with Schwab being the Goliath, and we're sort of kicking at their toes," says Mr Curt Conklin, product manager for online services, TransTerra. "But as long as we can keep chipping away that's great."

FINANCIAL TIMES
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Tuesday May 21 1996

Clinton, China and MFN

President Clinton is belatedly trying to get to grips with China. Yesterday's decision to renew China's most-favoured-nation trade privileges comes against the backdrop of a series of speeches on China by senior US officials. Mr Clinton himself set out the guiding principle: engagement with Asia, using incentives and disincentives to advance US interests.

Any effort to inject more coherence into China policy must be welcome after a long period of confusion and reversals of policy. But there is a long way to go before the US can boast a consistent approach. While, rightly, renewing MFN with one hand, Mr Clinton is threatening sanctions with another because of China's failure to respect US intellectual property. Having played tough with Beijing over its missile tests in the Taiwan Strait, Washington glossed over China's sale of nuclear-related magnets to Pakistan.

There is an element of expediency in all these decisions. Policy still appears driven by the need to balance a broad range of US opinion from the hawks on human rights in Congress to the doves among big business. The Clinton administration has admitted the importance of the US-China relationship. It still needs to clarify the principles which guide it.

One, which is now sensibly established, is that there is no point in empty threats – which withdrawal of MFN had become. Bipartisan support for renewal suggests also that there is now broad acceptance in Washington that MFN trade privileges should not be linked to human rights. Mr Clinton's abortive attempt to do this early in his presidency was a mistake which did lasting damage to his credibility on China.

Another principle, clearly enunciated by Warren Christopher, the Secretary of State, last week, is that Washington's one-China policy is predicated on Beijing seeking peaceful resolution to its differences with Taipei. That is an advance on the strategic ambiguity which prevailed hitherto.

The great remaining weakness is in the area of nuclear proliferation. By accepting a weak promise by China to behave responsibly on exports of nuclear-related equipment, Mr Clinton appears to have caved in to lobbying by US capital goods exporters whose interests would have been damaged by sanctions. China has little incentive to live up to that agreement. Mr Clinton may come to regret having let it off so easily.

It is important that the West deal firmly and credibly with any threat China poses to global security, while seeking to engage it economically. Such a twin approach would seek to shape China's emergence on to the international stage. In each case the aim would be to persuade Beijing that it is in its own interest to play by the international rules. Only then can China play the constructive role which the US wishes to see.

A pinch of salt

Salt, sugar, alcohol, fats, vitamins... Ask the experts about any of today's big dietary issues and you will face a barrage of contradictory advice. We are not much clearer today than we were 20 years ago about what to eat and drink if we want a long and healthy life, even though scientists have spent billions of pounds carrying out tens of thousands of studies in the meantime.

Anyone who compares the papers on salt in the British Medical Journal and the Journal of the American Medical Association this week will get a flavour of the fundamental disagreements that frequently divide the world of dietary research.

In the BMJ, eminent medical scientists urge the government and food industry to cut the population's salt intake in the face of "overwhelming evidence" that excessive consumption is causing stroke and heart attacks. In the JAMA, an equally eminent group comes to the opposite conclusion: that the evidence does not justify any general restriction on salt in the diet.

Yet people and their governments continue to have a surprising faith that science can provide a clear consensus view – the "right answer" – on any health issue.

On BSE and its human equivalent CJD, the UK government has suffered particular political damage by accepting as a consensus view the theory put forward over the past 10 years by scientists working for the Ministry of Agriculture. Their theory – that BSE originated with cattle consuming feed contaminated with scrapie, a well established sheep disease, and that because people never caught CJD from scrapie they faced no risk from BSE – was never as well founded as ministers seem to believe.

It is time for politicians to appreciate the diversity of scientific views. That means resisting the temptation to give official health advice on every topic that comes up.

Sometimes, of course, a scientific consensus does emerge on a particular issue – for example that governments should discourage smoking. Then strong action is justified.

A fundamental difficulty comes in offering general advice to a population within which there is so much genetic variation. For example, a minority of people with high blood pressure would undoubtedly benefit from a reduced salt intake; the question is whether a policy of universal restriction is justified.

Progress in genetics may eventually offer a solution, by enabling doctors to offer specific guidelines to each of us about what we can or cannot do. You may be told, for example, that you can eat as much salt as you like, but should avoid animal fats because your arteries are liable to clog up. Until then, take any general advice with a pinch of salt.

Stick and carrot

Britain's corporate reporting season has some way to run, but it is already apparent that Sir Richard Greenbury's committee on directors' remuneration has not removed the risk of another row about fat cats in the boardroom. The debate is simply moving from basic pay, via the disclosure of pension costs, to so-called long-term share-incentive schemes.

In suggesting that shares and options granted under such schemes should not vest or be exercised in less than three years, Greenbury inadvertently ensured that three years turned into the normal definition of long-term, which is clearly far too short. Equally important, the report's call for incentives to be subject to challenging performance criteria is being widely ignored.

A notable illustration is the new incentive scheme at Prudential Corporation. Some of the Pru's fellow insurers are unhappy that bonuses may be paid even when three-year performance, measured by total shareholder return, falls below the average for the 100 companies in the FT-SE index. Far from being unusual, this follows a near-standard formula in which directors whose companies are placed at no better than between 50 and 60 out of 100 nonetheless enjoy bonuses at the shareholders' expense.

Where performance criteria are related to the company's earnings, a typical incentive scheme now requires the company to show 2 per cent real growth in earnings per share over three years. When the National Institute for Economic and Social Research expects growth in the economy to be well above this level for the rest of the decade, this guarantees that mediocrity will rarely go unrewarded.

Such lame-duck capitalism is not what the Greenbury code was supposed to be about. Why, it might be asked, have institutional investors permitted this perversion of the incentives available to British management? An obvious clue comes from the identity of those who are now objecting. They tend to be mutual insurers who, unlike the directors of proprietary life companies and trustees of pension funds who are also company directors, have no personal interest in the gravy train.

There is an urgent need to go back to the original Greenbury principle that the aim of the performance-related elements of boardroom pay should be to align the interests of directors and shareholders. That ought to mean an end to the all-carrot-and-no-stick philosophy, and the development of more schemes involving a genuinely long-term capital commitment, for example through the commutation of pay for shares. Whether the will exists to do this is questionable, given the innate conflicts of interest involved. But in the absence of such a move, the legitimacy of the whole system is back in question.

Another burden to carry

South Africa wants to redress imbalances from apartheid but is finding markets can be more powerful than politicians, says **Roger Matthews**

South Africa's politicians have finally accepted that the transition from the apartheid era is over. The African National Congress, which won power in the April 1994 elections, will from July 1 be the government. The National Party, having withdrawn from the coalition, will be the opposition. And the many issues dividing them will for the first time be aired and argued with the vigour expected of a democracy.

For two years those divisions had been masked, if not fully disguised, by the power-sharing agreement deemed necessary to smooth the transition from white to predominantly black rule. Conciliation, consensus and compromise were the watchwords.

The international community approved, hopeful that co-operation would foster the wealth creation and economic growth needed to bridge the potentially explosive gap in living standards between black and white. But in the middle of February, the currency markets lost patience. Rumours about President Nelson Mandela's health weakened the rand, and more searching questions about economic management followed when Mr Trevor Manuel was appointed the first ANC minister of finance.

The rand has since lost over 20 per cent of its value against the dollar, only recovering some stability after the National Party announced it was leaving government.

The greater degree of political certainty is likely to provide only temporary relief for the rand before attention again focuses on the many economic questions which remain unanswered. The ANC should be in a better position to supply the answers now that it has virtually full control of government. On July 1 it will control all cabinet portfolios, except three still held by the Inkatha Freedom Party headed by Chief Mangosuthu Buthelezi – whose increasingly shrill criticism of the ANC suggests he too would be happier outside government.

The ANC has in the past two months resolved many internal tensions. Mr Thabo Mbeki, the deputy president, has consolidated his place as the probable successor to Mr Mandela in or before 1999.

The clearest confirmation of this was provided by Mr Cyril Ramaphosa, his principal rival. Mr Ramaphosa is to resign as ANC secretary-general, quit parliament and lead the black community's efforts to acquire a larger slice of the private sector. He is joining a company which is preparing a bid for Johnnic, a media and industry concern controlled by Anglo American.

The National Party should also be a happier organisation although it is setting out on what Mr F.W. de Klerk, its leader, described as "a long trek to an as-yet-unknown political destination". He said the party had felt its influence within the government had been waning. "The ANC is acting more and more as if they no longer need multi-party government," he said. And he said it had become increasingly difficult to square the twin roles of coalition partner and responsible opposition.

The National Party's longer-term task of finding a new appeal to the electorate, perhaps through a broader coalition, will increasingly fall to Mr Roelf Meyer, the secretary-general, as more of the old guard decide their political careers are over. "First, we brought you democracy, now we bring you multi-party democracy," is the new party slogan revealed in full-page newspaper advertisements. But black voters are unlikely to have forgotten its rather earlier introduction of apartheid.

The final act of compromise by the Nationalists was to vote for the new constitution and ensure its overwhelming approval by the constitutional assembly. That done, Mr de Klerk intends to spend the three years until the next general election "developing clear alternative policies to those presented by the alliance formed by the ANC, the Communist Party and the Congress of South African Trade Unions".

The fragility of the rand, and Mr de Klerk's pledge to be a vigorous opposition leader, will keep the spotlight firmly on the durability of that alliance. One of the main anxieties of the private sector and foreign investors was voiced last week by Mr Tony Leon, leader of the small Democratic Party. The new constitution, he declared, "will give the unions the opportunity to make or break governments".

Mr Leon fought hard, but unsuccessfully, to ensure the new constitution gave employers the right to lock out striking workers. Business South Africa, the employers' organisation, is belatedly to take up the cudgels by appealing to the constitutional court.

Mr Leslie Boyd, the group's chairman, says his organisation is dismayed by events and warns that the unions' "negative influence" is set to continue. "In major issues of economic policy, the ANC allows the unions to dominate. Certainly, that is the way foreign investors are seeing it," he says.

The 50 largest companies have issued their own prescription for the country's economic ills, including more flexible labour markets, deep cuts in the budget deficit, swift abolition of exchange controls and a vigorous privatisation programme.

The ANC described the proposals as absurd, and the unions responded with their own document which contradicted the employers on every important issue. The only common ground shared by government, unions and business is the goal of achieving a growth rate of at least 6 per cent by 2000 and the annual creation of 500,000 new jobs.

But that ambitious target seems less attainable today than three months ago. The devaluation of the rand should stimulate exports in the short term, but Mr Chris Stals, governor of the Reserve Bank (the central bank), fears it could add 3 per cent to annual inflation, pushing it back into double figures. This will have an impact on this year's round of pay negotiations, and is unlikely to boost the low rate of savings.

There were already signs that economic growth was slowing, and there now seems little prospect of its rising above last year's 3.3 per cent. The 1 percentage point increase in bank rate (the rate at which the Reserve Bank lends to commercial banks) three weeks ago, and the two subsequent 1 point rises in the prime lending rates of commercial banks to 20.5 per cent, have damaged business and consumer confidence. At the same time, last month's R2.3bn fall in gold and foreign currency reserves will not encourage Mr Manuel, finance minister, to be more courageous about removing foreign exchange controls.

Hopes among the business community that these pressures would force the government to distance itself from the unions appear premature. President Mandela is doggedly loyal to those who contributed to the fight against apartheid, be they President Fidel Castro of Cuba or Mr Sam Shilowa, general secretary of the Confederation of South African Trade Unions (Cosatu).

When Mr Shilowa called out his members for a one-day strike against the inclusion of a lock-out clause in the constitution, Mr Mandela was understanding. On May Day, he and his ministers addressed workers' rallies wearing the colours of Cosatu. They remain united by the message Mr Mandela gave to the constitutional assembly. "Nothing else can justify the existence of government but to redress the centuries of unspeakable privation, by striving to eliminate poverty, illiteracy, homelessness and disease."

The government has promised it will soon table a new economic blueprint for achieving those goals. Mr Manuel said in parliament it was time "to knuckle down and come up with a competent vision". Mr Mbeki, deputy president, spoke earlier this year of the need for trade-offs and hard decisions.

However, it is not just the document which must be convincing, but the determination with which it is implemented. The ANC, unfettered by the National Party in cabinet, has the parliamentary majority to impose its will. What it cannot legislate for is an immediate increase in the black community's minimal stake in the private sector. It has also been reminded in the past three months that South Africa is now part of the global economy where, as Mr Manuel said recently, markets can be more powerful than politicians and parliaments.

The ANC's determination to eradicate the consequences of apartheid will set the political debate for as long as it remains in office. But the new arbiters of that debate, which will dictate the policy compromises, are international investors in general and the currency market in particular.

· OBSERVER ·

The Danish Hurd instinct

■ Relieved from the constraints of high office, Douglas Hurd, the former UK foreign secretary, is giving his international audiences some added value.

Talking to the British Import Union in Copenhagen yesterday about the future of the European Union, he praised the French for their intelligence and eloquence. But he suggested that no one knew where they really stood on the issue of whether Europe should pool sovereignty or retain the nation state, "for they are the masters of the splendid ambiguity".

As for the Germans, Hurd argued they would have to realise that "Germany is not the only country with a history" – a remark he linked to Germany's experience of hyperinflation in the 1920s and its attitude to Emu.

But he reserved his sharpest barbs for his own domestic public, which he described as ill-informed and xenophobic, forcing those who believed in some kind of European Union "to use almost all our energies defending ourselves against the misrepresentations which are now current". No names, no pack-drill – but even for a Danish public, they were hardly necessary.

And don't expect that things will improve should the Labour party win the coming general election. He predicted that Labour's old hands – quiescent in opposition – would give that "nice, young Mr Blair" a tough run for his money over Europe, should he become the next prime minister. He wishes...

Seeking contracts

■ Now Greece has patched things up with its Balkan neighbours, its thoughts are turning to the winning of contracts. Greek companies have already expressed interest in reconstructing Bosnia's telephone system, building roads in Albania and helping Macedonia and Bulgaria solve chronic energy shortages.

But a shake-up at the foreign ministry is needed: Theodoros Pangalos, the tough-talking foreign minister, was recently annoyed to discover that few Greek diplomats read the financial pages of newspapers.

Step forward Yannis Papanicolaou. Teaching Greek ambassadors new lobbying skills is to be one of the tasks allotted to Papanicolaou, the Athens-based consultant who is to head up Greece's new "economic diplomacy" office. He seems well qualified: he lectured at the London School of Economics and served as personal economic adviser to former prime minister Andreas Papandreou after the Socialists came to power in 1981.

Papanicolaou was then admired for tactful handling of foreign businessmen – worried their companies would be nationalised by the militant Socialists – and for his successful negotiation of a $100m purchase of jet-fighters for the Greek air force, in parallel deals with General Dynamics and Dassault. Wheeling and dealing in the Balkans should present him few problems.

Leap-froggers

■ What luck that Poland's Bank Handlowy staged its recent party (to celebrate signing its first $100m eurobond) in more than one room – two long-standing rivals on the bank's board could thus mingle freely, without actually having to exchange words.

The rivals are Andrzej Olechowski, currently head of the bank's supervisory board, and Grzegorz Wojtowicz, a former head of the National Bank of Poland, the central bank, who recently joined the board after being exonerated by the law courts on charges of criminal negligence when at the NBP.

Olechowski and Wojtowicz have been career leap-frogging each other for some time. First, Wojtowicz pipped Olechowski to the post of head of the NBP in 1990 – only to be forced to resign a year later, as a consequence of the charges. Olechowski left the NBP when Wojtowicz became chief. But in 1992, as Wojtowicz languished in the grip of lawyers, Olechowski became first finance minister, then foreign minister and a key adviser to Lech Walesa, the former president.

With Walesa out of office and the composition of the Handlowy's supervisory board up for review, Olechowski's days at the helm could be numbered. Hence the *froideur* at the party, as the pair watched their backs – and planned their next leap.

Whiskery tale

■ Malaysia's latest strategic project has been let out of the bag. After the Proton "national car" comes – a national cat.

The south-east Asian economy, 'tiger' that it is, aims to produce an altogether more domesticated creature, though of course one which will be suitable for foreign markets too. "Malaysia should have its own cat identity... Maybe we can export them to cat lovers abroad," information minister Mohamed Rahmat suggested. "The introduction of our own cat species will open a new chapter for the nation."

He says the breed will be named this weekend at a Federation of International Felines conference to be held in the country. While no one doubts his commitment to the cause, surely it would be best left to his cabinet colleague and current telecoms and energy minister, Leo Moggie?

The Financial Times

100 years ago

Great Horseless Carriage

Advertisement:- "Vehicle revolution: a new industry. The Great Horseless Carriage Company Limited. Capital of £750,000 divided into 75,000 shares of £10 each. Half the horses now used in the large towns will disappear, and with them half the dangers of the streets, nearly all the obstruction and much of the filth. The cabs will be all autocars. Private carriages will follow suit, and thousands of people who cannot now afford to keep a carriage will do so when the necessity of feeding the horse is done away with."

50 years ago

Difficulties in Europe

Current reports about economic conditions in Europe tend to be unilateral. In nine cases out of ten, the headlines speak of a desperate food position, and paint the outlook in the gloomiest colours. It would be tragic if the gravity of the food position on the Continent were minimised. There is already evidence of a sharp fall in output as a result of inadequate rations, especially in Germany. And there can be no doubt that, if the food crisis became worse between now and the next harvest, the world's progress towards reconstruction and reconversion would be gravely handicapped.

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FINANCIAL TIMES
Tuesday May 21 1996

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Clinton to renew MFN trade status for China

By Nancy Dunne in Washington

Mr Bill Clinton, US president, yesterday announced he would renew China's low-tariff trade status on the grounds that failure to do so would threaten the stability of the Asia-Pacific region and US economic interests.

Mr Clinton's speech was the second in a series on China by senior administration officials. They come as Mr Clinton prepares for the annual battle with Congress over renewal of China's Most Favoured Nation trade status, which expires on June 2.

Mr Clinton made his announcement in a speech to the Pacific Basin Economic Council, a group of senior business executives from the region meeting in Washington this week. Congress can overturn the president's decision only with a two-thirds vote in both houses, but this appears unlikely.

Although Mr Clinton had until June 3 to announce his position on trade status, the administration has been saying for months that China's MFN status would be renewed.

Mr Clinton said yesterday: "We cannot walk backward into the future.... revoking [MFN] and, in effect, severing our economic ties to China, would drive us back into a period of mutual isolation and recrimination that would harm America's interests, not advance them."

Mr Clinton said his engagement policy with China required the use of incentives and disincentives to advance core US interests. He is prepared to levy duties on $2bn of Chinese imports because of China's alleged failure to protect intellectual property.

The US would also continue to insist that China "meet the same standard of openness" required of other countries before it is admitted to the World Trade Organisation.

In spelling out his policy of constructive engagement, Mr Clinton was also responding to criticism by Mr Bob Dole, the likely Republican presidential candidate. Earlier this month Mr Dole said the president lacked "a strategic policy towards China" and his foreign policy demonstrated "weak leadership, vacillation and inconsistency".

Mr Clinton painted a very different picture of a policy that is "a long-term endeavour" in which the US must be "steady and firm".

He took credit for a number of successes in the region: an agreement with North Korea to dismantle the country's nuclear weapons programme and the building of unifying economic and security structures such as the Asia Pacific economic grouping.

In the region, the US has four fundamental priorities, the president said: continued military commitments, stronger security co-operation among Asian nations, leadership to combat the most serious threats, and support for democracy.

As part of the policy initiative, Mr Warren Christopher, the secretary of state, last week called for the introduction of regular US-China summits and close consultations between cabinet members.

Clinton, China and MFN, Page 15

Former communist countries consider EU plan

By Bruce Clark in London

Former communist countries in central and eastern Europe have responded coolly to a German suggestion to offer them partial membership of the European Union, fearing that it could be a substitute for their full membership of the EU and Nato.

EU diplomats involved in the intergovernmental conference on reform of the Union said the idea of partial membership – admitting the ex-communist countries to EU discussions on home and foreign affairs – was very much in the air at recent sessions of the IGC.

"This idea is at the back of everybody's mind when we talk about flexibility, or a multispeed Europe," one diplomat said. "The fact is that it may take a long time before we can harmonise social, agricultural and industrial policies with potential new members, and we should not need to wait so long before co-operating with them over justice and foreign affairs."

The idea of partial membership would imply admitting some ex-communist states to the so-called second and third pillars of the EU – dealing with foreign and home affairs respectively – while waiting several more years before admitting them to the "first pillar" where the core business of the EU is conducted.

A Polish official said this proposal might make necessary an extensive rewriting of the EU treaties, and this would merely delay the process of Poland's admission as a full member of the EU.

The proposal was floated this month by Mr Rudolf Seiters, foreign policy spokesman for Germany's ruling Christian Democrats, in a full-page essay in the Frankfurter Allgemeine Zeitung.

Mr Seiters noted that the pain of economic reform and the burden of preparing to join west European institutions were causing some discontent in the ex-communist states. Stressing that he was only asking a question, Mr Seiters said the EU should consider whether to give candidate members "partial membership" by admitting them to home and foreign affairs discussions next year.

Diplomats involved with the IGC said there had been suggestions that incorporating ex-communist countries into the EU's emerging common, foreign and security policy, could be a substitute for the eastward enlargement of Nato.

Diplomats from central and eastern Europe, who are counting on firm decisions about Nato enlargement being made in early 1997, said this trade-off would be completely unacceptable.

The CFSP was a loose arrangement and, unlike Nato, carried no security guarantees, the diplomats added.

THE LEX COLUMN

Banking on regulation

After the disasters of BCCI and Barings, international regulators are struggling to reinvent themselves as a better, stronger, more global force. Yesterday's joint statement from the Basle Committee on Banking Supervision and the International Organisation of Securities Commissions (Iosco) is full of good intentions, but it is likely to be another year before they come up with a blueprint.

Still, there has been real progress since the worst days of bickering over how much capital institutions should be set aside to cover trading risks. The recent shift towards allowing institutions to use their own computer models to calculate risk should allow more efficient use of capital – though it will take some policing. A level playing field, regulators now agree, does not necessarily mean identical capital requirements for all.

Instead, they are at last focusing on the real problems caused by globalisation and the proliferation of risk – and deciding where the buck stops. Appointing a lead regulator with prime responsibility for supervising a particular institution makes good sense. Banks and securities firms no longer fit under neat domestic umbrellas designed to cover a single activity. Looking more closely at where the greatest concentration of risk lies should help close some of the gaps through which badly managed or dodgy institutions have slipped in the past. The danger, of course, is that it will give the more politically inclined regulators even greater scope for fighting turf battles with each other.

HK conglomerates

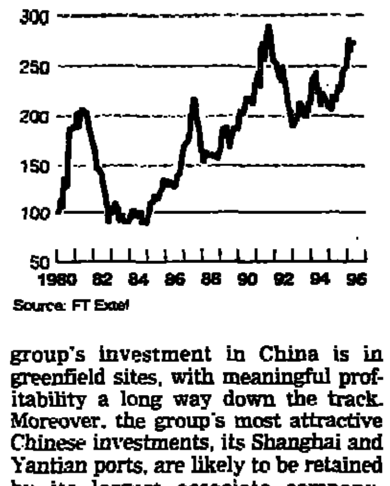
The positive reaction to Cheung Kong's plan to hive off some China and Hong Kong infrastructure businesses into a separately listed company demonstrates the amount of hidden value within Hong Kong's sprawling conglomerates. Given the opacity of Cheung Kong's accounts it is hard for analysts to evaluate what the group has been doing in China. By creating a separate company, Cheung Kong will clarify the extent of this investment, and probably gain favourable revaluations. New World Development and Henderson Land, which have obtained separate listings for their China businesses over the past year, have demonstrated the benefit this can have on their share price.

Investors, however, should not get overexcited. Mr Li Ka-shing, who controls Cheung Kong, has expressed great confidence in China verbally, but has been cautious when it comes to parting with cash. Most of the

FT-SE Eurotrack 200: 1735.15 (-7.13)

Cheung Kong

Share price relative to the Hang Seng index



Source: FT Extel

group's investment in China is in greenfield sites, with meaningful profitability a long way down the track. Moreover, the group's most attractive Chinese investments, its Shanghai and Yantian ports, are likely to be retained by its largest associate company, Hutchison Whampoa.

At least the move shows a welcome continuing commitment to creating shareholder value following Hutchison's recent flotation of Orange in the UK and plans to list Asiasat. However, there are easier ways to deliver. Hong Kong conglomerates can justify their existence, since they offer the benefits of the connections of their largest shareholders and a low cost of capital. The easiest way for them to demonstrate hidden value would be to provide more transparent accounts.

British Airways

British Airways may be flying high, but it is rightly planning for the next bit of turbulence. Times are good for the world's airlines, and BA is no exception: its aircraft are fuller than ever and fare competition is not too tough. But costs are creeping up. This partly reflects booming traffic, but unit costs are rising too. With revenue per passenger in long-term decline, BA needs to do better.

The good news is it knows. Over the next three years the company wants "business enhancements" – cost-cutting, better use of capacity and revenue-boosting schemes – increasing to £1bn a year. Of course, this deserves to be taken with a hefty pinch of salt. For one thing, in a competitive world, BA has to run hard just to stand still. For another, the targets are not what they seem: they imply improvements against a vague set of projections, not current performance. That the company can claim this year to have taken £150m of costs out of the business – when costs have in fact been rising – is not encouraging.

But even if the company's claims are overblown, complacency would be considerably worse. And with the shares trading at a discount of more than 20 per cent, based on next year's estimated earnings, the market is hardly taking an excessively rose-tinted view.

Recycling capital

The hope behind share buybacks and special dividends, which are now all the rage in the UK, is that investors will plough back their windfalls into growing companies seeking to finance original projects.

The snag is that, though companies which have run out of good investment ideas are handing excess capital back to shareholders, the cash is not being recycled to companies with bright ideas. Rights issues and flotations are subdued; so is corporate investment. As a result, shareholders are somewhat reluctantly holding the funds as cash or ploughing it into bonds.

While the City's unadventurous approach to long-term investment is partly to blame, UK plc is the prime culprit for not generating sufficiently attractive ideas. When even high-growth companies like Reuters are planning to hand cash back something is awry. The recycling machine works much better in the US, where large buybacks are matched by a constant flow of funds into promising new projects.

Why are companies not grasping the opportunities? Part of the answer is cultural. But there is also a more technical problem: while the cost of capital has fallen in response to lower inflation, lower equity risk premiums and abundant supplies of cash, few companies have lowered their minimum rates of return on investment.

In stark contrast, the corporate sector is engaged in an acquisitions spree. Such deals gain board approval because the criterion for judging them is typically the impact on earnings per share rather than return on investment. And since companies now mostly finance acquisitions with debt rather than shares, it is quite easy to boost eps. This, of course, further adds to the amount of capital sloshing around. Companies which can find a good home for it will be doing themselves and shareholders a favour.

Additional Lex comment on Railtrack, Page 22

Japan's trade gap falls 65%

Continued from Page 1

agencies believe the exodus of capacity could be even higher.

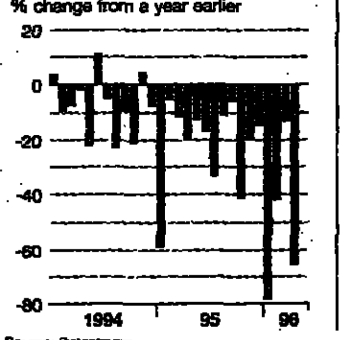
Imports grew by nearly 31 per cent last month, led by computers, semiconductors and manufactured goods, drawn in by robust private and corporate demand as Japan's economic recovery gathers pace.

There were also one-off factors, including a cut in import duties on pork and a 27 per cent rise (in yen terms) in the price of oil, which affect nearly 40 per cent of the import bill. Exports, by contrast, rose by just 5 per cent, less than half last year's average export growth rate, and in part explained by a fall in overseas car sales.

Japan's trade surplus with the US fell by 56 per cent last month to Y172.09bn, the largest fall for 16 years, while its surplus with the European Union fell by just over half. Its surplus with other Asian countries, normally eager buyers of Japanese machinery to equip their fast-industrialising economies, declined by a third, the first drop in two months.

Japan: visible trade balance

% change from a year earlier



Source: Datastream

EU vets' efforts to agree easing of beef ban hang in balance

By Caroline Southey in Brussels

Efforts by European Union vets to agree a partial lifting of the export ban on British beef hung in the balance yesterday in the face of firmer than expected resistance from a number of member states to easing the embargo on some products.

The fate of a decision by the EU's standing veterinary committee to lift the embargo on three products – gelatine, tallow and semen – rested with Greece, Belgium and Portugal.

A decision by any of them to join Germany, Austria and Spain in resisting moves to ease the ban would be sufficient to block the proposal in the veterinary committee.

In addition, the Netherlands opposed easing the ban on semen but not gelatine and tallow, an EU official said.

"We won't know if there is a blocking minority until the vote is taken," a UK official said.

The British official remained hopeful that a decision to lift the embargo would still be made even if the vets voted against the proposal.

Under EU procedure, it could take up to a month before a proposal could be referred to the council of ministers, but there it could only be killed if eight countries opposed the move.

The British official said the "balance of probability" still rested with the UK. "We are making progress procedurely and in terms of substance," the official said. "There is a clear determination to have a decision and we have fewer than eight member states speaking against the proposal."

Criticism from vets focused on Britain's selective slaughter policy, which was presented yesterday morning. A number of member states appeared determined to link a decision on easing the embargo to firmer and more wide-eranging undertakings from the UK government to eradicate BSE.

Spain joined Germany and Austria in resisting a decision to ease the embargo on the grounds that Britain's plans for a selective slaughter policy were insufficient.

Mrs Loyola de Palacio, the Spanish minister for agriculture, said Britain's culling policy was "clearly insufficient", adding that Spain could not support easing the embargo until a more comprehensive plan was put in place.

Britain has proposed tracing, and then killing, animals born in the same year and from the same herd as those which had contracted the disease. It has offered to increase the number of cattle targeted for slaughter under the scheme from 42,000 to over 80,000.

Opposition to this plan threatened to overshadow discussions on a proposal from Mr Franz Fischler, EU commissioner for agriculture, under which Britain would be required to impose tighter controls on the production of gelatine and tallow as a precondition to the export ban on these products being lifted.

More battles planned, Page 9

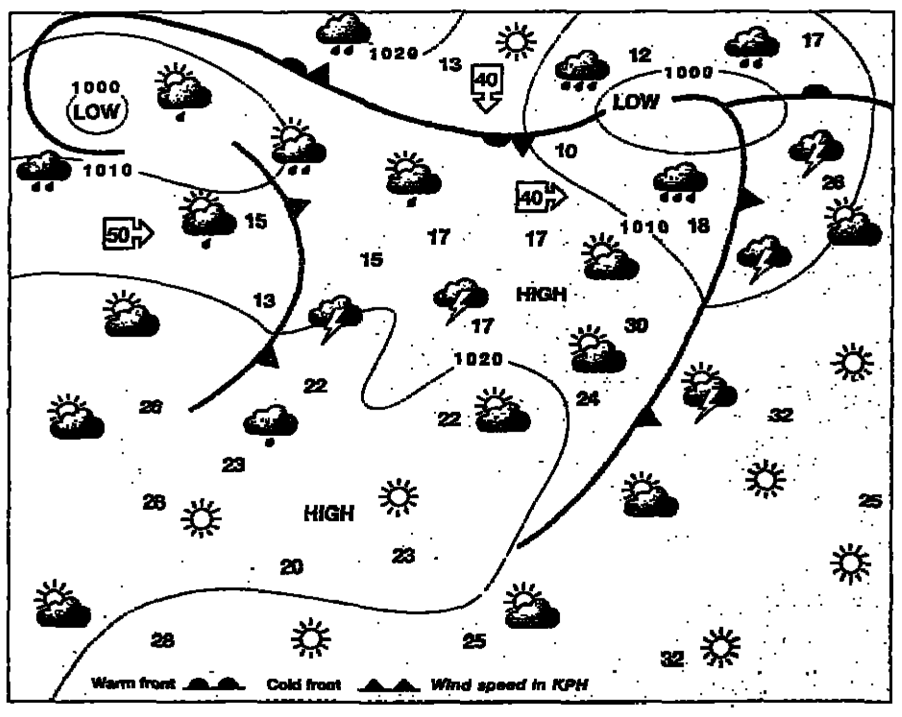
FT WEATHER GUIDE

Europe today

Much of north-western Europe will stay unsettled with showers or rain and temperatures generally below normal. The most active showers are expected over south-eastern England and the Benelux, where hail or thunder is possible. France will have numerous showers and moderate temperatures. Spain and Portugal will stay dry with sunny spells. Unseasonably warm air is expected over the far south-east of the continent. Greece and Turkey will be very warm with temperatures above 35C in central Turkey. Romania and Bulgaria will also also be warm but with an increased risk of thunder showers.

Five-day forecast

An increasing westerly air flow will bring a series of disturbances into the British Isles and north-west Europe. As a result, it will continue unsettled but temperatures over the south-west of the continent may increase as the weekend approaches. High temperatures will continue in the south-east, although readings will not be as high as earlier in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	32
Algiers	fair	19
Amsterdam	cloudy	13
Athens	sun	30
Atlanta	sun	33
B. Aires	sun	19
B.ham	shower	11
Bangkok	thund	37
Barcelona	sun	19
Beijing	sun	29
Belfast	rain	12
Belgrade	thund	26
Berlin	cloudy	18
Bermuda	fair	24
Bogota	shower	19
Bombay	fair	32
Brussels	shower	14
Budapest	thund	22
C.hagen	rain	8
Cairo	sun	30
Cape Town	fair	24
Caracas	fair	30
Cardiff	shower	11
Casablanca	sun	21
Chicago	shower	27
Cologne	shower	15
Dakar	fair	26
Dallas	sun	33
Delhi	hazy	40
Dubai	sun	41
Dublin	cloudy	12
Dubrovnik	thund	27
Edinburgh	shower	12
Faro	fair	20
Frankfurt	shower	16
Geneva	shower	17
Gibraltar	fair	22
Glasgow	rain	11
Hamburg	shower	15
Helsinki	sun	12
Hong Kong	fair	26
Honolulu	fair	31
Istanbul	sun	30
Jakarta	cloudy	32
Jersey	shower	13
Karachi	fair	34
Kuwait	fair	40
L. Angeles	fair	22
Las Palmas	sun	23
Lima	cloudy	18
Lisbon	fair	19
London	cloudy	13
Lux.bourg	shower	13
Lyon	shower	17
Madeira	fair	19
Madrid	fair	19
Majorca	sun	21
Malta	fair	24
Manchester	shower	10
Manila	shower	34
Melbourne	shower	16
Mexico City	fair	20
Miami	fair	32
Milan	shower	20
Montreal	shower	20
Moscow	fair	16
Munich	shower	17
Nairobi	cloudy	27
Naples	thund	22
Nassau	thund	29
New York	sun	34
Nice	fair	22
Nicosia	sun	31
Oslo	rain	9
Paris	cloudy	14
Perth	fair	23
Prague	cloudy	18
Rangoon	fair	35
Reykjavik	rain	9
Rio	cloudy	26
Rome	fair	23
S. Frsco	fair	18
Seoul	shower	23
Singapore	fair	33
Stockholm	shower	10
Strasbourg	cloudy	18
Sydney	shower	20
Tangier	fair	21
Tel Aviv	sun	25
Tokyo	cloudy	20
Toronto	shower	24
Vancouver	shower	13
Venice	cloudy	21
Vienna	thund	20
Warsaw	thund	25
Washington	sun	37
Wellington	cloudy	14
Winnipeg	shower	21
Zurich	shower	17

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